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# MUNICIPAL ENERGY REFORM IN UKRAINE

## MUNICIPAL ENERGY REFORM PROJECT (MER)

SECOND QUARTERLY REPORT

JANUARY 1, 2014 – MARCH 31, 2014



### April 2014

This document was produced for review by the United States Agency for International Development (USAID). It was prepared by the Municipal Energy Reform Project in Ukraine implemented by International Resources Group for USAID/Ukraine.

Key to cover photos:

<p>MERP COP Bil Tucker and AUC Executive Director Myroslav Pitsyk shake hands after MOU signing ceremony</p>	<p>USAID Quarterly Partners Communications Meeting discusses outreach activities for 2014</p>	<p>MERP COP Bil Tucker and his Deputy Andriy Mitskan research the map of Ukraine after the decision was made on partner-cities selection</p>
<p>MERP DCOP A.Mitskan and USAID COR A.Nesterenko listen to Minister V.Groysman at High Level Working Group Meeting in Minregion</p>	<p>MERP COP Bil Tucker and SAEE First Deputy Chairman Vitalii Grygorovskiy during MOU signing ceremony</p>	<p>MERP PR Manager Vira Illiash moderates the first Working Group Meeting on Communications Issues</p>

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CLEAN ENERGY IDIQ: AID-OAA-I-13-00015

Contract: AID-I21-TO-13-00006

April 2014

### **DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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# ACRONYMS

AUC	Association of Ukrainian Cities
CA	Condominium Association
CE	Clean Energy
CEE	Central and Eastern Europe
CHP	Combined Heat and Power
COM	Cabinet of Ministers of Ukraine
DCA	Development Credit Authority
DH	District Heating
DIR	Data and Information Request
DTEK	Donbass Energy and Fuel Company
EAB	Energy Audit of Building
EBRD	European Bank for Reconstruction and Development
EC-LEDS	Enhanced Capability-Low Emissions Development Strategies
EE	Energy Efficiency
EPC	Energy Performance Contracting
ESCO	Energy Service Company
ESIB	Energy Saving Initiative in the Building Sector in Eastern Europe and Central Asia
ESP	Energy Service Provider
EU	European Union
EWG	Expert Working Group
E5P	Eastern Europe Energy Efficiency and Environment Partnership
GCC	Global Climate Change
GDA	Global Development Alliance
GHG	Greenhouse Gas
GIZ	German Bilateral Aid Agency
GOU	Government of Ukraine
HOA	Home Owner Association

HOAC	Home Owner Advisory Center
IBSER	Institute for Budgetary and Socio-Economic Research
IEA	International Energy Agency
IFC	International Finance Corporation
IFI	International Financial Institution
IRG	International Resources Group
IRR	Internal Rate of Return
IT	Information Technology
LEDS	Low Emissions Development Strategies
MEP	Municipal Energy Plan
MEDT	Ministry of Economic Development and Trade
MEIS	Municipal Energy Information System
MH	Municipal Heating
MERP	Municipal Energy Reform Project
MinRegion	Ministry of Regional Development, Construction, Housing and Communal Services
MOU	Memorandum of Understanding
MSP	Ministry of Social Policy
NAER	National Agency of Ukraine on Ensuring Efficient Energy Resources Management
NCCSMR	National Commission on Communal Services Market Regulation (see NCSRC)
NCSRC	National Communal Services Regulatory Commission
NEFCO	Nordic Environment Finance Corporation
NGO	Non-governmental organization
NMHS	National Municipal Heating Strategy
NIB	Nordic Investment Bank
NIISK	Ukrainian State Research Institute of Building Structures
NPV	Net Present Value
PC	Price Cap
PMP	Performance Monitoring Plan
PO	Purchase Order
PPP	Public-Private Partnership
PSA	Public Service Announcement

QI	First Quarter
RAB	Regulatory Asset Base
RC	Revenue Cap
REDS	Resource Efficiency Development Strategies
ROR	Rate of Return Regulation
RFA	Request for Application
SDC	Swiss Agency for Development and Cooperation
SEAP	Sustainable Energy Action Plan
SIDA	Swedish International Development Cooperation Agency
SOW	Scope of Work
SSC	State Statistics Committee
TF	Task Force
TOR	Terms of Reference
TOT	Training of Trainers
UAH	Ukrainian Hrivna (currency)
UKEEP	Ukraine Energy Efficiency Program
UNDP	United Nations Development Program
UNFCCC	United Nation Framework Convention for Climate Change
USAID	United States Agency for International Development
VR	Verkhovna Rada (legislature)
WB	World Bank





## BACKGROUND

The United States Agency for International Development (USAID) Mission for Ukraine, Moldova, and Belarus, Office of Economic Growth supports the implementation of the **Municipal Energy Reform Project (MERP, the Project) in Ukraine** as described in the Statement of Work and further detailed in International Resources Group's (IRG) Technical Proposal, and subsequent modifications.

The primary purpose of the USAID MERP is to enhance Ukraine's energy security. Increased end-use energy efficiency (EE) combined with increased production of clean energy (CE) in large towns and cities will reduce the consumption of conventional energy in Ukraine while cutting greenhouse gas emissions, energy expenditures, and imports. The Project has four main tasks:

- Improve CE Regulatory and Legislative Enabling Environment;
- Promote Investment in Clean Energy Technologies and Applications;
- Strengthen Capacity Building and Dissemination; and
- Enhance Capacity for the GOU in Low Emission Development Strategies.

The GOU is engaged in reforming the municipal energy sector and addressing challenges identified in the Presidential Program of Economic Reforms for 2010-2014, with an emphasis on CE/EE through price signals and improving the competitiveness and reliability of municipal services. Ukraine's energy policies are shifting to domestic resources and strengthening the energy market framework to EU standards. Adoption and full implementation of Energy Community Treaty and GCC Convention provisions could provide Ukraine with a competitive, transparent, and predictable market framework to attract investment, and underpin CE and EE improvements in the energy sector.

The Project has focuses on introduction of energy efficiency and clean energy in cities by assisting municipalities with planning, preparing, and financing clean energy projects; introduction of energy management systems; supporting implementation of development of DCA loan guarantees; supporting mechanisms that mobilize private sector investment (i.e. ESCOs); and preparing sustainable energy public awareness plans.

This Quarterly Report is submitted in accordance with the Contract requirements and covers the project period from January 1, 2014 through March 31, 2014. It serves as a tool for evaluating the Project's progress and achievements and provides a summary of Project activities, accomplishments, issues, and problems encountered in implementing the activities set by the Project Work Plan. It also weights the accomplishments in the context of indicators, set by the Monitoring and Evaluation Plan. This Quarterly Report #2 summarizes activities from the Project start until the end of the second Project quarter.

# A. SUMMARY OF PROGRESS AND ACCOMPLISHMENTS

## **General Accomplishments:**

Despite a vulnerable political and economic environment during the second reporting period, MERP advanced all project activities. With the dismissal of Prime Minister Azarov and the Cabinet of Ministers at the end of January, the Government of Ukraine (GOU) was rudderless. Acting Ministers of MERP principal cooperating ministries were essentially unwilling to make any decisions, enter into cooperative agreements, or participate in conferences, round tables, and similar activities. By the end of February, new Prime Minister Arseniy Yatseniuk and Acting President Oleksandr Turchynov appointed new Ministers. Mr. Volodimir Groysman was appointed as Vice-prime Minister and Minister of Regional Development, Construction, Housing and Communal Services, the primary GOU recipient of MERP support.

With appointment of the new government, MERP actively supported the High Level GOU Working Group on municipal energy reform led by Vice-Prime Minister Groysman. MERP participated in discussion and preparation of GOU decisions on tariff increases up to cost-recovery level, and review and approval of a new approach for social safety nets. At the municipal level, MERP conducted a transparent process for the selection of cities that resulted in about 40 applications and selection of 17 partner cities from all parts of Ukraine: East, West, North, and South.

## **Establishing new Cooperation with the governmental and non-governmental stakeholders:**

Bil Tucker, MERP COP and Myroslav Pitsyk, Executive Director of the Association of Ukrainian Cities (AUC), signed a Memorandum of Understanding (MOU). The membership of AUC includes more than 500 cities and towns from across the country. The agreement defines priority areas of cooperation between the Project and AUC such as advocacy and support to the changes of legal and regulatory frameworks, capacity building and training of city officials, dissemination of best practices, and education and information outreach of municipal energy reform efforts.

MERP COP Bil Tucker and State Agency on Energy Efficiency and Energy Saving (SAEE) First Deputy Chairman Vitalii Grygorovskiy signed an MOU. Mr. Grygorovskiy stated this is the first MOU ever signed between a USAID project and SAEE. The MOU sets forth the following areas of cooperation between MERP and SAEE: promotion of energy efficiency and energy saving reform; introduction of renewable energy sources; and, reduction of greenhouse gas emissions.

## **National Level Assistance:**

MERP was instrumental in assisting GOU on its effort to improve legal and regulatory framework for municipal energy reform. MERP DCOP Andriy Mitskan and USAID COR Andriy Nesterenko participated in the High Level Working Group meeting on Reform of the Housing and Communal Sector. Vice-Prime Minister and Minister of MinRegion Volodimir Groysman chaired the WG meeting, attended by about 40 participants representing MinRegion, cities, industry professionals and their associations, NGOs, and donor projects. The Minister presented a new Concept of Housing and Communal Services Reform. The key focus of the reform is on development of owners of buildings (i.e. HOAs), decentralization and liberalization of services, introduction of cost recovery tariffs and competitive market relations in the housing and communal services sector.

Project experts prepared comments and suggestions to the new Concept and participated in preparation of key legislation/regulations needed for reforms. Project experts attended a number of Experts Working Groups, that were created to review and amend current legislation such as Law on Communal Services, Law on HOAs, Budget Code, Law on EE (to introduce ESCO/EPC), and others.

MERP was instrumental in assisting NCCSMR in preparing draft regulation on tariff increases to cost-recovery level. Project experts participated in numerous working group meetings with the Commission and the Ministry of Social Policy to update social protection system for low-income consumers to mitigate social impacts of tariff increases.

### **Capacity Building:**

MERP conducted training needs assessment for MinRegion and NCCSMR. Based on the results of the assessment, the Project experts prepared Capacity Building and Training Plans for both organizations. During this reporting period, MERP started Capacity Building for local NGOs. The Project experts prepared NGO selection strategy and submitted it to USAID for review and approval.

### **LEDS-REDS Activities:**

During the second reporting period, MERP continued and enhanced its cooperation on LEDS-REDS with the Ministry of Economic Development and Trade. The Project discussed MOU implementation and draft Work Plan with Ms. Musina, Advisor of the Minister, and other key stakeholders in the Ministry of Economic Development. Working relations with all LEDS-relevant state bodies and agencies were established. In accordance with the state bodies' competence and definition of responsibilities, LEDS activities fall under the Ministry of Ecology and Natural Resources, State Environmental Investment Agency of Ukraine competence, and direct responsibilities of the GOU. Preliminary scope of work for cooperation has been identified and agreed with SEIA, MEDT, Ministry of Ecology and Natural Resources, and respective Rada Committees.

MERP identified the Inter-Agency Commission on Implementation of UNFCCC as an existing inter-agency cooperation body on LEDS issues. This Commission is a special vehicle, established by a Cabinet of Ministers Decree in 1999, to deal with UNFCCC implementation and commitments on the inter-agency comprehensive level. The Commission deals with climate change policies and GHG emission reductions issues on the legislative level under UNFCCC framework and provides coordination platform for the ministries and state agencies for climate change issues.

MERP initiated LEDS Donors Coordination process and conducted the first donors' meeting on technical assistance on climate change related issues. MERP started assessment on GHG Inventory System and conducted meetings with SEIA and its implementing state enterprise the 'National Center of GHG Inventory'.

### **Municipal Assistance:**

During the second reporting period, MERP organized a transparent and comprehensive cities selection process to identify cities interested and qualified to become partner cities. MERP developed a Cities Selection and Cooperation Strategy for USAID approval per the WP schedule. The Strategy was based on meetings and lists of priority cities from AUC, IFIs (i.e. WB, EBRD, and NEFCO) and private sector investors (DTEK, TAS, and others) that are investing in municipal energy reforms. The Strategy was approved by USAID and a call for applications was advertised on AUC's and MinRegion's web sites. Selection Committee members representing AUC, MinRegion, Commission, WB, EBRD, NEFCO, USAID, and MERP selected 15 cities for participation in the Project's activities. These Partner Cities are Chernihiv, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Khmelnytskyi, Kramatorsk, Kryvyi Rih, Lutsk, Pavlohrad, Rivne, Sumy, Ternopil, Vinnytsia, Yevpatoria (dropped later in the month because of

annexation of Crimea by Russia), and Zaporizhzhia. In addition, the Committee recommended selecting the cities of Lviv, Kamyanyets-Podilskyi and Kyiv as associated partners. Kyiv (replacing Yevpatoria) was added to the list of 15 cities to receive extensive capacity building and TA support. The first group of MERP partner cities for Year 1 will include the following cities: Chernihiv, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Kramatorsk, and Vinnytsia. The first group of partner cities was approved by USAID.

MERP experts from ARNIKA and OptimEnergio developed an energy audit methodology for municipal energy systems covering heat, water/waste water, and street lighting. The methodology is based on both EU Energy Norms and Ukrainian technical regulations/standards. Its focus is on definition of energy consumption, CO<sub>2</sub> baseline, identification of energy efficiency, clean energy and emission reduction projects. MERP energy auditors prepared questionnaires to collect initial data on municipal systems in the partner cities to prepare the energy audits.

MERP experts started assistance to Bank “Lviv” on energy efficiency lending covered by DCA partial guarantees. Project experts met with the Chairman of the Bank, Igor Gavryliak, and his staff to discuss the scope of assistance. The Bank identified four key priorities for assistance: development of a new bank product for HOAs, training on ESCOs, expert analysis of business plans by industrial clients and SMEs, and initiation/facilitation of discussions with communal enterprises of Lviv.

#### **Advanced Donor Coordination:**

During the reporting period, MERP continued its efforts to establish efficient donor coordination. MERP prepared and submitted to USAID a memorandum on E-Based Advanced Donor Coordination. The document provides analysis of different e-based solutions to support Advance Donor Coordination. MERP and USAID participated in a donor coordination meeting on energy efficiency in buildings. The meeting was hosted by EBRD and was attended by donors, projects, and IFI representatives from SIDA, E5P, IFC, GIZ, EU Delegation, and Swiss Development Agency. MERP presented its recommended e-based advanced donor coordination tool that received full support from attendees. It was agreed to proceed with development of an e-based platform, based on Google Services to be used by all donors and IFIs within the above mentioned group.

MERP participated in several bilateral meetings with donors:

- MERP met with GIZ Municipal EE Project. GIZ reported about their recent selection of three cities and two oblasts for cooperation (cities of Chernivtsy, Zhitomyr, Lugansk, and oblasts of Dnipropetrovsk, and Poltava);
- MERP management met with Ms. Jurate Juodsnukyte, Sector Manager of EU Delegation. The EU Delegation made a presentation on implementation of EU-funded projects such as Capacity Building of SAEF, EE Grant Program for Small Cities, INOGATE Energy Monitoring project, and EU budget support for EE.
- MERP management met with NEFCO, which was represented by Ulf Bojo, Senior Credit Manager, and Julia Shevchuk, Country Coordinator. MERP COP Bil Tucker presented project activities, specifically related to assisting cities in development of SEAPs and investment attraction.

## B. DELIVERABLES

Second Quarter deliverables of the MERP were submitted to USAID on CD and included the following items:

#	Activity		Title of Report	Language
1	Activity 1	January-March	Monitoring of draft laws at the review of the Committees of Verkhovna Rada	English, Ukrainian
2	Activity 1	January	Conclusions upon results of analysis of draft laws registered in Verkhovna Rada	English, Ukrainian
3	Activity 1	January	Analysis of the Decree of the President of Ukraine On Amendments to the Regulation on State Agency on Energy Efficiency and Energy Saving	English, Ukrainian
4	Activities 1	January	Reference on Resolution of the Cabinet of Ministers dated 30.12.2013 #951	English, Ukrainian
5	Activity 1	January	Information that shall be taken into account while preparing draft law on peculiarities of creation of energy services market in Ukraine	English, Ukrainian
6	Activity 1	January	Analysis of provisions of draft laws on energy audit (registr. # 3580, 3580-1) submitted for review of the Committee of Verkhovna Rada on Fuel and Energy Complex, Nuclear Policy and Nuclear Safety	English, Ukrainian
7	Activity 1	January	Proposals on inclusion of measures on providing consultancy services for the National Commission on Communal Services Market Regulations to the Work Plan of MERP	English, Ukrainian
8	Activity 1	January-March	Participation of JurEnerg Consulting's experts in the events on issues of development of legislative and regulatory framework of energy sector and housing and communal sector	English, Ukrainian
9	Activity 1	February	Analysis of main requirements of EU legislation on energy services	English, Ukrainian
10	Activity 1	February	Review of the current state of compliance of the legislation of Ukraine on energy management,	English, Ukrainian

			energy planning and heat supply schemes in sector of buildings with the requirements of EU legislation	
11	Activity 1	February	Short reference for discussion of plan of joint work with the Ministry of Energy and Coal regarding fulfillment of Ukraine's obligations under the Energy Community Treaty	English, Ukrainian
12	Activity 1	February	Training needs for increasing institutional capacity of specialists of the Ministry of Regional Development, Construction, Housing and Communal Services on issues of international procurement, procedures of preparation and approval of international projects, control of their implementation aimed at development of corresponding programs of educational measures (trainings, seminars, round tables in Ukraine and abroad)	English, Ukrainian
13	Activity 1	February	Training needs for increasing institutional capacity of specialists of the National Commission on Communal Services Market Regulations on issues of using regulatory base, licensing and tariff setting, protection of consumers rights, ensuring quality of services aimed at development of corresponding programs of educational measures (trainings, seminars, round tables in Ukraine and abroad)	English, Ukrainian
14	Activity 1	March	Analysis of training needs for increasing institutional capacity of specialists of the National Commission on Communal Services Market Regulations on issues of using regulatory base, licensing and tariff setting, protection of consumers rights, ensuring quality of services aimed at development of corresponding programs of educational measures (trainings, seminars, round tables in Ukraine and abroad)	English, Ukrainian
15	Activity 1	March	Analysis of training needs assessment of employees of the National Commission on Communal Services Market Regulations by departments	English, Ukrainian
16	Activity 1	March	Reference on priority tasks on legal regulation development in field of housing and communal services	English, Ukrainian

17	Activity 1	March	Report on the implementation of the first phase of Support the development and adoption of the ISO 50001 energy management system. Requirements and guidelines for use in Ukraine	Ukrainian
18	Activity 1	March	MOU with State Agency for Energy Efficiency and Energy Saving of Ukraine	English, Ukrainian
19	Activity 1	February	Analysis of changes in the legislation of Ukraine governing social assistance during 2011-2013	Ukrainian
20	Activity 1	March	Assessment of training needs of the Commission headquarter and 9 regional offices	Ukrainian
21	Activity 1	March	Assessment on current status of GOU actions to incorporate MHRP recommendations on social safety nets improvements (DRAFT)	Ukrainian
22	Activity 2	January	Information materials with MERP Description	English, Ukrainian
23	Activity 2	January	Cities Selection and Cooperation Strategy in MERP	English
24	Activity 2	January	Application form for the cities	Ukrainian
25	Activity 2	February	Branding implementation and marking plan	English, Ukrainian
26	Activity 2	February	Methodology of energy audits implementation in MERP partner cities	Ukrainian
27	Activity 2	February	Questionnaires for companies	Ukrainian
28	Activity 2	March	Interim report on Energy Audit of Ivano-Frankivsk communal companies	Ukrainian
29	Activity 2	March	Interim report on Energy Audit of Kramatorsk communal companies	Ukrainian
30	Activity 3	March	Selection and capacity building plan for NGOs	English
31	Activity 4	February	LEDS-REDS GOU Inter-Agency Coordination Memo	English
32	Activity 4	March	Memo on building up working relations with comprehensive and overarching approach for LEDS legal development.	English
33	Activity 4	January	Progress report on consulting services provided in the framework of the Project, Institute for	Ukrainian

			Environment and Energy Conservation	
34	Activity 4	February	Progress report on consulting services provided in the framework of the Project, Institute for Environment and Energy Conservation	Ukrainian
35	Activity 4	March	Progress report on consulting services provided in the framework of the Project, Institute for Environment and Energy Conservation	Ukrainian
36	Activity 4	March	Presentation LEDS-REDS in the steel industry, Institute for Environment and Energy Conservation	Ukrainian



# C. DETAILED DESCRIPTION OF PROGRESS/ACCOMPLISHMENTS DURING THE REPORTING PERIOD

## C.1 PROJECT TEAM

The Ministry of Economic Development and Trade (MEDT) issued MER Project its Registration Card on November 28, 2013, including the Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion), and National Commission on Communal Services Market Regulation (NCCSMR) - as the Project recipients. International Resources Group Accreditation Card was issued on December 12, 2013. The Project Procurement Plan was registered with MEDT in January 2014.

During the reporting period, the MERP worked in close cooperation with the key project stakeholders, the MinRegion, Verkhovna Rada Committees, NCCSMR, and members of donor community.

During the reporting period the Project started submitting VAT exemption monthly reports to the Tax Authorities in Ukraine.

The relevant work was conducted on hiring more employees by the Project. At present, the Project staff totals 14 employees. The Project recruited the following additional employees: Vira Gresko (PR Assistant (part time)), Vira Illiash (PR Manager), Dmytro Yemelyanenko (Financial Officer and Activity 3 lead), Olga Shkorubska (Monitoring and Evaluation Specialist).

During the reporting period, the MERP expanded the office space and, and accordingly, additionally equipped the premises with the necessary office equipment and furniture.

The MERP finished the procedure of issuing Temporary Residence permit in Ukraine for COP, Bill Tucker, with the State Department of Migration of Ukraine on January 9, 2014.

### **The summary of signed Subcontracts and Grant Agreements:**

In March 2014, MERP signed a consultant agreement with Anatoliy Chernyavskiy for the period through August 31, 2014, to support the development and approval of standard DSTU ISO 50001 “Energy Saving. Energy Management Systems. Requirements with Guidance for Use (ISO 50001:2011, IDT)”.

In March 2014, MERP developed and issued a request for proposals to design and launch “Advanced Donor Coordination E-based Information System”. To support advanced donor coordination, MERP conducted an analysis of different available options and prepared recommendations on establishment of an E-based platform for coordination with activities implemented by other donors, IFIs, and GOU entities. It is expected that the E-based platform will have a number of important functionalities to improve donor coordination, such as:

- Facilitating and coordinating schedules;
- Exchanging messages;
- Posting boards;
- Exchanging experts’ opinions and reports on legal and regulatory issues;
- Coordinating outreach activities on municipal energy reform and LEDS-REDS.

In March 2014, MERP issued a request for proposals (RFP MERP-01-14) to support development and implementation of SEAP action plans. The RFP was publicized on AUC (Association of Ukrainian Cities) and MinRegion websites. The RFP was distributed to ten companies that expressed their interest to participate in the competition. The regional training centers selection and subcontracts negotiation process will be finalized in the next reporting period.

The project prepared modifications to subcontracts of “Arnika”. L.L.P, “Institute of Environment and Energy Conservation” (IEEC), “JurEnerg Consulting” and PEF “OptimEnerg”. These modifications will improve subcontractors’ financial reporting procedures.

In March 2014, MERP conducted negotiations with the Institute for Economics and Forecasting. IEF’s work for the period through March of 2015 will be focused on the following areas.

- Unification of joint parameters (assumptions) for the national model ‘TIMES-Ukraine’ and municipal modeling (SEAP);
- Enhancement and improving TIMES-Ukraine modeling to reflect LEDS;
- Development and implementation of modeling calculations for GHG emissions and energy; sector development – baseline and alternative scenarios of GHG emissions/LEDS;
- Training Program for State Officials on development and using the TIMES-Ukraine;
- Technical Consultations with interested ministries and state agencies.

IEF has an exclusive license for TIMES-Ukraine modeling software and is a unique and responsible source, which can provide services and satisfy IRG requirements for the type of work being subcontracted.

In January 2014, IRG submitted a request to subcontract Decision Ware Group (DWG) to support the implementation of Activity 4 of MERP. The additional information related to the request was provided on March 24, 2014. The request was approved by USAID on March 25, 2014. The performance period is from April 1, 2014 through May 31, 2017.

In March 2014, IRG submitted a request to subcontract Center for Climate Strategies, Inc. (CCS) to support the implementation of Activity 4 of MERP. The performance period is from April 1, 2014 through June 30, 2017.

In addition, during the reporting period MERP conducted several procurement actions related to purchases of equipment and furniture, according to the procurement procedure.

## C.2 ENVIRONMENTAL COMPLIANCE REPORT

The MERP team will conform to USAID environmental regulations, 22 Code of Federal Regulations (CFR) 216. We will mainstream environmental mitigation measures as a standard component of program management. The MERP team will meet USAID and Ukrainian environmental requirements through assessing, mitigating, and monitoring environmental risks. Our team experts do not anticipate having any significant adverse environmental impacts from Project Activities. This is confirmed by IEE recommendation of “Categorical Exclusion” for most Project Tasks and Activities. “Negative Determination with Conditions” was defined for Tasks 1.2, 1.6, 2.2, 2.4, and 2.5. of MERP. The team will assess the possible environmental risks for these tasks and will implement measures recommended by the IEE (4.3.1-4.3.4). The Project Team is developing scope of work for assessment that will start during next Project Quarter.

### C.3 DETAILED ASSESSMENT AND ANALYSIS OF PROGRESS MADE ON EACH OF THE TASKS AND MILESTONES

As per USAID request, MERP prepared and received USAID approval for revised Table of Milestones for Work Plan Year 1.

#### REVISED TABLE OF MILESTONES - WORK PLAN YEAR 1

December 30, 2013	M1.1: Key Priority list of CE/EE legislation/ regulations established (based on the assessment results, MERP will define exact list of Laws to be developed or amended)
	M4.1: LEDS/REDS Work Plan drafted and accepted by Ministry of Economy (all further activities are subject to inclusion (or revision) in the LEDS/REDS WP with MinEconomy)
January 30, 2014	M2.1: Coordination strategy for cities selection developed
	M1.2: Advanced donor coordination established Draft submitted 1-30-14; e-based ADC system accepted by donors Feb 12, 2014
	M3.4: G2G feasibility defined; all following activities will be subject to revision based on the assessment IBSER has not provided its assessment for USAID. Per COR, February 6, <u>suspend this work until further notice</u> from USAID.
Per COR: All milestones moved one month due to GOU instability <del>February 28, 2014</del> Mar 30, 2014	M2.2: Cities and IFIs engaged in cooperation
	M1.15: Basic training needs for the Commission determined (Based on the outcome of this the training curriculum will be developed)
April 30, 2014 (moved from Jan 30)	M1.5: Donor coordination on tariff regulation established. (MERP Work plan activities of Task 1.3 are coordinated and if needed adjusted) Required WB consultant not in place-notice sent to USAID 1-10-14. Move 90 days per COR, 2-6-14: moved from January 30, 2014.
	M4.2: LEDS/REDS inter-agency GOU coordination established Delayed due to GOU instability. Move 90 days per COR, 2-6-14: moved from January 30, 2014.
April 30, 2014 (moved from Mar 30)	M1.17: Basic training needs for the MinRegion determined (Based on the outcome of this, the training curriculum will be developed) Delayed due to GOU instability. Moved 30 days from March 30, 2014.
	M2.3: SEAP needs in Ukraine identified Delayed due to GOU instability. Moved 30 days from March 30, 2014.
	M2.12: Information Strategy and local Information Plans developed. Delayed due to GOU instability. Moved 30 days from March 30, 2014.
	M3.1: Selection of 5 NGOs conducted. Delayed due to GOU instability. Moved 30 days from March 30, 2014.
	M4.6: Build up working relations with comprehensive and overarching approach for LEDS legal development Delayed due to GOU instability. Moved 30 days from March 30, 2014.

April 30, 2014	M1.8: Priority list of legislations/regulations on improvement of social assistance agreed with the GOU
	M1.10: RIMS functionalities developed and agreed
	M3.2: OCA conducted. Training needs identified
May 30, 2014 (moved from Mar 30)	M1.12: New regulatory accounting principles taught to utilities Delayed due to GOU instability. Moved 60 days from March 30, 2014.
	M2.9: ESCO/EPC Legal basis improved Delayed due to GOU instability. Moved 60 days from March 30, 2014.
May 30, 2014 (moved from Apr 30)	M2.13: Focus groups conducted to define baseline knowledge on CE/EE in partner cities Delayed due to GOU instability (with delay in selecting cities). Moved 30 days from April 30, 2014.
May 30, 2014	M1.13:10 utilities trained to properly implement accounting rules
	M3.5: Selection of GOU/local government organizations finalized
June 30, 2014	M2.7: Bank Lviv is well informed about CE/EE projects and borrowers risks
	M2.10: PPP Legal basis improved
	M4.3: National Inventory System enhanced
July 30, 2014	M1.16: Capacity of regional offices improved
	M1.18: Capacity of MinRegion improved
	M4.8: Key design elements developed for data base
August 30, 2014	M1.6: Assets evaluation methodology developed as prerequisite for RAB
	M2.4: Energy audits conducted
	M4.7: Budgetary programs prepared to allocate emission taxes for support implementation of LEDS/REDS
September 30, 2014	M1.3: Key draft legislation/regulations developed
	M1.4: Energy Audit Standard and Energy Management Standard developed
	M1.7: RAB methodology developed for all sub-sectors
	M1.9: New approach for social protection of low-income consumers agreed with stakeholders
	M1.11: Tender documents prepared for both software and hardware
	M1.14: New regulatory benchmarking system developed
	M1.19: Commission integrated in international cooperation with NARUC/ERRA
	M2.5: SEAPs developed in 6 cities

	M2.6: Energy Management procedures prepared
	M2.8: Banks have better understanding of CE/EE projects and benefits of DCA
	M2.11: PPP opportunities identified
	M3.3: Comprehensive training provided according to Capacity Building Plans
	M3.6: Capacity building plan developed
	M4.4: LEDS/REDS analytical tools applied by two GOU agencies
	M4.5: Road Map developed and LCP Directive focal point appointed

During the second Project Quarter, the following milestones were met:

- M2.1: Coordination strategy for cities selection developed;
- M1.2: Advanced donor coordination established Draft submitted on January 30, 2014; e-based ADC system accepted by donors on Feb 12, 2014;
- M2.2: Cities and IFIs engaged in cooperation;
- M1.15: Basic training needs for the Commission determined.

## **ACTIVITY 1: IMPROVE CLEAN ENERGY REGULATORY AND LEGISLATIVE ENABLING ENVIRONMENT**

### **TASK 1.1: DEVELOPING ENABLING LEGISLATIVE AND POLICY ENVIRONMENT**

With appointment of the new government, MERP actively supported the High Level GOU Working Group on Municipal Energy Reform led by Vice-Prime Minister Groyzman. MERP participated in discussion and preparation of GOU decisions on tariff increases up to cost-recovery level, and review and approval of a new approach for social safety nets.

During the reporting period, the Project was instrumental in assisting the MinRegion in preparation of concepts to reform the communal services sector. MERP DCOP Andriy Mitskan and USAID COR Andriy Nesterenko participated in the High Level Working Group meeting on Reform of the Housing and Communal Sector. The meeting was chaired by Vice-Prime Minister and Minister of MinRegion Mr. Groyzman. The meeting was attended by about 40 participants representing MinRegion, cities, industry professionals and their associations, NGOs, and donor projects. During the meeting, the Minister presented a new Concept of housing and communal services reform. The key focus of the reforms is on development of owners of buildings (i.e. HOAs), decentralization and liberalization of services, introduction of cost recovery tariffs and competitive market relations in the housing and communal services sector. It was agreed that participants will provide comments and suggestions to the new Concept and, once agreed, will participate in preparation of key legislation/regulations needed for reforms.

Project experts participated in the mid-level experts Working Group on Development/Improvement of Specific Bills: On Housing and Communal Services, Metering, HOAs, and others. Project experts participated in WG meetings and provided comments/suggestions to different legal and regulatory documents. Project experts conducted analysis of the draft laws of Ukraine registered in the Committees of Verkhovna Rada of Ukraine, adoption of which could influence implementation of Municipal Energy Reform Project activities. The Project prepared a review of the current state of compliance of the legislation of Ukraine on energy management, energy planning and heat supply schemes for buildings with the requirements of EU legislation.

MERP experts had several meetings with Natalia Oliynyk, Head of Strategic Department of MinRegion, to discuss HOA legislation and regulation being considered in the Rada. Project experts prepared and submitted

to MinRegion a comparative analysis of draft Laws of Ukraine “On Ownership in a Multi-family Residential Building” (registration #3793 from December 19, 2013) and “On Peculiarities of Management of Multi-family Residential Buildings” (registration #3669 from November 21, 2013). The comparative analysis was discussed with HOA WG members. MERP experts prepared recommendations and assisted the Legal Department of MinRegion in preparation of a draft clarification letter “On the status of a condominium, as a party of the relationships in the area of housing and communal services”.

MERP partner NGO “OPORA” held advocacy meetings with Rada Deputies - members of profile Committee of Housing and Communal Services and their assistants in relation to the draft laws on municipal energy reform. There meetings were held with: Deputy G. Zubko - the First Deputy Chairman of the Committee, J. Dzira – an assistant of the Deputy, the Deputy Chairman of the Committee D. Andrievskiy, B. Jacun - an assistant of Deputy U. Marcynkiv, and I. Divchur - an assistant of Deputy V. Chugunnikov. MERP prepared and circulated brief description of these legislative initiatives and positive expected impacts on communal sector.

MERP participated in MinRegion WG meetings related to reform of the heating sector. The meetings, chaired by the Deputy Minister Bilousov, were attended by about 20 participants representing NCCSMR, DH utilities, donor projects, industry associations, and manufacturers of heating equipment. Ms. Malezhyk, Head of Heating Department of MinRegion, presented a concept for heating sector reform. MERP experts from JurEnergio and MDI prepared analytical documents with specific recommendations on heating sector reforms. The project recommendations included a list of priority legislation, regulations, and comments to the draft GOU Decree “On Adjusting Tariffs for Heat Energy to an Economically Justified Level”.

The MERP experts participated in the Rada Committee meetings related to communal services and regional policy. At these meetings, MERP experts supported Vice Prime Minister Groyzman in announcing reforms of housing and communal sector with an accent on energy-saving measures.

#### **TASK 1.2: SUPPORTING ENERGY EFFICIENCY STANDARDS**

During the reporting period, MERP COP Bil Tucker and State Agency on Energy Efficiency and Energy Saving (SAEE) First Deputy Chairman Vitaliy Grygorovskiy signed a Memorandum of Understanding (MOU). Mr. Grygorovskiy stated this is the first MOU ever signed between a USAID project and SAEE. The MOU sets forth the following areas of cooperation between MERP and SAEE: promotion of energy efficiency and energy saving reform; introduction of renewable energy sources; and, reduction of Greenhouse Gas Emissions.

MERP participated in a MinRegion working group meeting on energy efficiency. The meeting was chaired by Natalia Oliynik, Head of Strategy Department of MinRegion. It was attended by about 20 energy professionals representing MinRegion, SAEE, local think tanks, professional associations, private sector participants, and donor projects. The participants discussed preparation of the Energy Standard on Energy Management based on ISO 50001. Mr. Yevgeniy Inshekov, Energy Efficiency Center of Kyiv Polytechnic Institute, presented a Ukrainian draft standard on energy management. The participants provided comments and suggestions on its improvement. It was agreed that MERP experts would assist the MinRegion and SAEE working groups to finalize the energy standard and assist in its approval by the Ministry of Economy.

Following a WG decision, MERP consultants prepared a report that defines the status of developing a national standard identical to ISO 50001 on Energy Management, and ways of its possible improvement. The report with recommendations will be presented to the SAEE, MinRegion and Ministry of Economy WGs responsible for technical approval of the new standard.

MERP met with Mr. Farenuk, Director of State Research Institute for Buildings and Constructions (SRIBC). Discussion included the current status of harmonization of energy building norms of Ukraine with EU Energy Norms, as per the Action Plan developed by MHR Project and approved by MinRegion in 2011. Mr. Farenuk outlined priority norms to be developed, such as energy audit of buildings, energy management, energy marking and labeling of insulation materials, and calculation methodologies for EU Energy Norms. SRIBC will focus its activities in Year 1 on development of the Ukrainian standard on “Energy Audit of Buildings”.



### **TASK 1.3: IMPROVING TARIFF SETTING**

During the reporting period, the Cabinet of Ministers of Ukraine, by decree #308-p, dismissed the Head of NCCSMR V. Saratov from his position. Mr Hivrich was appointed as Interim Chairman of the NCCSMR. The current Commissioners are D. Grygoriev, S. Dunailo, V. Kalchenko, S. Lasikov, and O. Romanyuk.

As a result of the discussion on tariff increase with IMF, the Cabinet of Ministers approved the Decree “On Improving the National Policy of Price Regulation For Natural Gas and Heat Tariffs And Provision of the Strengthened Social Assistance for the Population Regarding the Payment for Housing and Communal Services”. Pursuant to this Decree, the NCCSMR will be approving tariffs for heat energy for that will have to account for at least a 40% increase in the price for gas. The NCCSMR will make such an increase for most of its licensees. In addition, the NCCSMR will be steadily increasing tariffs for the population in order to bring them to the economically justified (full cost recovery) level.

MERP assisted NCCSMR in preparing the draft Cabinet of Ministers Decree “On Adjusting Tariffs for Heat Energy to the Economically Justified Level” and the orders that go with this draft Decree. Project experts prepared a Memo on the NCCSMR’s ability to obtain political approval from the Government of Ukraine to enforce a gradual tariff increase plan.

Project experts provided support in methodology development and improvement of quality of communal services. The first step was an improvement of the assets valuation methodology for the natural monopolies in the communal services sphere. MERP experts from MDI met with Dmitry Arlachov, Head of the Strategic Development Department of the NCCSMR to specify the tasks related to the improvement of the asset valuation methodology for the water and wastewater sector. The NCCSMR requested assistance in preparation of the list of assets and their groupings in the water and wastewater sectors. The valuation indicators will be assigned to the facilities and equipment from the defined assets’ groups. The NCCSMR will contact the State Property Fund, which is in charge of development of assets valuation methodology, to coordinate this activity.

### **TASK 1.4: IMPROVING SOCIAL SAFETY NET POLICIES**

MERP experts reviewed laws and regulations governing social assistance (with relevant changes and amendments) that were adopted during 2011-2013, and prepared the analysis of the changes to the legislation on social assistance introduced during 2011-2013 – the Report “Analysis of changes in the legislation of Ukraine governing social assistance during 2011-2013”. MERP experts reviewed the MHR Project recommendations regarding the reform of the system of social assistance for consumers of communal services in Ukraine and prepared proposals on improving the mechanism of providing subsidies based on the MHR recommendations – the Report “Assessment on current status of GOU actions to incorporate MHR Project recommendations on social safety nets improvements”. Both reports were sent to the Ministry of Social Policy, MinRegion, and NCCSMR.

MERP coordinated its activities on social safety nets with the WB social protection team. MERP experts met with T. Boolakh, a consultant with the WB project preparation group, to exchange information regarding reform of the Ukrainian social assistance system. The WB project that had been working for nine years ended in December 2012. Last year the Ministry of Social Policy received a WB grant to develop a new project. The new WB project envisages the following: assistance to low-income families; assistance to families with children; assistance to disabled; and development of an institute of social inspectors. The new WB project will also focus on reforming social assistance and housing subsidies. MERP will continue coordination and consultations with WB social safety nets experts.

The GOU initiated establishment of a joint WG on Social Safety Nets comprised of the representatives from the Ministry of Social Policy, MinRegion, and NCCSMR. The purpose of this joint WG is to improve the system of housing and communal services subsidies and to decrease the huge number (more than 100 classifications) of personal privileges that provide large discounts for communal services, but without economic need justification.

MERP participated in a MinRegion WG meeting related to improving the social assistance system under conditions of rising tariffs for housing and communal services to economically justified levels. The meeting was chaired by Deputy Minister Bilousov and was attended by about 20 participants, including: N. Oliynyk, N. Khotsianivska, N. Kravchenko, I. Pogorila (MinRegion), N. Sylovykh (Ministry of Finance), T. Golubenko (Ministry of Social Policy), V. Kalchenko, O. Korchmit (NCCSMR), A. Reva (Vinnitsia Deputy Mayor), A. Levytsky (MERP). The participants discussed new social mechanisms for social protection of poor

consumers, such as compensation of the increase in tariffs for some categories of households and mechanisms of improving targeted housing subsidies. It was agreed to prepare an analysis of the proposed mechanisms and calculation of the cost for the provision of such assistance. The Project developed these documents and submitted them to the Deputy Director of the Social Policy Department, Ministry of Social Policy, T. Golubenko, for review and further discussion.

MERP experts met with the Head of the NCCSMR's Department for Strategic Planning and Development of Communal Services, T. Burenko, and the Deputy Head of the Department, O. Korchmit, and other NCCSMR specialists. During the meeting, the participants discussed steps for reforming the social assistance system in order to mitigate economic impacts from significant tariff increases planned for the near future.

During the reporting period, MERP was instrumental in preparing a cooperation plan of the project and the Ministry of Social Policy on improving the system of social protection for communal services customers. MERP experts prepared a number of analytical documents for the GOU, such as:

- Brief overview of key problems and tasks of social assistance for consumers of communal services (upon request of USAID COR Nesterenko);
- Comparative table of proposals of Vinnytsia City Council and proposals of MERP regarding improving the subsidies mechanism;
- Forecast evaluation of costs of providing benefits and subsidies;
- Comments and new revisions to the proposals of MinRegion on reforming the system of social assistance for "Priority Measures in the Sphere of Reforming and Development of Housing and Communal Economy" (the comments and proposals were sent to N. Oliynyk at MinRegion);
- Proposals on three scenarios of granting cash subsidies based on social norms of consumption of communal services, and a comparative table of peculiarities of the proposed scenarios, their advantages and disadvantages (the documents were sent to NCCSMR, O. Korchmit).

#### **TASK 1.5: REGULATORY INFORMATION SYSTEM DEVELOPMENT**

During the reporting period, MERP assisted NCCSMR in preparing specifications and tender requirements for software development. Project experts developed the draft concept of a TOR for development of the Information Monitoring and Analysis System (IMAS) that was discussed and agreed with Igor Honcharuk, Assistant to the Commissioner Saratov, on January 30. The document defines rationale, scope and purpose of the Information Monitoring and Analysis System.

MERP experts started collecting necessary documents, data and information to proceed with development of technical specifications for IMAS. The documents include the laws and Presidential Decrees governing the activities of the NCCSMR; laws and Presidential Decrees governing natural monopolies and entrepreneurial activities; and documents received from the IT Department of the NCCSMR.

As a result of the political situation in Ukraine, the protocol about the establishment of the working group on IMAS was not signed, the working group was not established and the meeting did not take place. It is expected that a working group will be formed during the next quarter and all IMAS development issues will be discussed and approved by the WG members.

#### **TASK 1.6: DEVELOPING UTILITY BENCHMARKING**

During the reporting period, MERP provided assistance to the NCCSMR on improvement of methodological recommendations on accounting and reporting by the licensees in the district heating sector. MERP experts contacted five district heating utilities with a request to share their annual reports for 2013, that they submitted to NCCSMR based on the accounting information. Project experts also asked the utilities to list the problems related to filling out the reporting forms.

MERP received these reports from the heating companies and analyzed them from the perspective of the problems the utilities faced when filling out the reporting forms and the reporting requirements of the NCCSMR. Project expert prepared the first draft report with analysis of current practices of licensed utilities regarding reporting to the NCCSMR and their ability to support the data in the reports with the accounting information. The Project experts provided recommendations for the NCCSMR regarding the improvement



of the reporting forms (including the recommendations regarding unbundling accounting by type of licensed activity) and maintaining accounting records.

#### **TASK 1.7: CAPACITY BUILDING**

During the reporting period, MERP experts assessed training needs of the NCCSMR. They prepared a questionnaire for NCCSMR in order to assess training needs of the Commission Head Quarter and its nine regional offices. MERP received 68 completed questionnaires from eight departments of the NCCSMR (nine regional offices represent one department in this case), including 34 questionnaires filled out by the staff of the Department on Tariff Policy in Heating, and three questionnaires from three departments (one questionnaire from each department). MERP prepared the Report “Assessment of training needs of the Commission Headquarter and nine regional offices”.

Based on the results of this assessment, MERP prepared a draft training curriculum and training plan for NCCSMR regional offices and utilities. Once approved, MERP will be providing assistance to NCCSMR in training seminars.

MERP assessed training needs of the MinRegion in order to improve capacity of the MinRegion Project Implementation Units. Project experts prepared questionnaires to identify learning demands of the MinRegion specialists on issues related to international procurement, procedures of preparation and approval of international projects, and control of their implementation. Project experts conducted interviews with the staff of MinRegion and prepared a training needs report. Based on this report, MERP will prepare a capacity building plan for the MinRegion.

### **ACTIVITY 2: PROMOTE INVESTMENT IN CLEAN ENERGY TECHNOLOGIES AND APPLICATIONS**

#### **TASK 2.1: DEVELOPING COOPERATION STRATEGIES**

During the Second Quarter, MERP coordinated with IFIs’ city selection strategy to ensure their buy-in to the selection process and their willingness to invest.

MERP management met with NEFCO representatives Ulf Bojo, Senior Credit Manager, and Julia Shevchuk, Country Coordinator. MERP COP Bil Tucker presented project activities, emphasizing Project assistance to cities in developing SEAPs, as well as investment attraction. NEFCO representatives were interested to continue cooperation that started with the MHR Project on the following issues: preparation of SEAPs with detailed list of investment projects supported by the cities; preparation of business plans and feasibility studies; assistance to PIUs, and multiplication of successful ESCO model of Kyiv city to other partner cities.

MERP met with GIZ Municipal EE Project. GIZ reported their recent selection of three cities and two oblasts (cities of Chernivtsy, Zhytomyr, Luhansk, oblasts of Dnipropetrovsk, and Poltava). GIZ shared with MERP staff their customized approach in cooperation with each city/oblast – (one city might be working on HOAs, another city on Energy Management). Such approach is different from the one used by MERP, which offers a full set of assistance activities to each partner cities. It was agreed to conduct regular coordination of activities in the cities to ensure synergy of efforts and to avoid redundancy.

MERP management organized consultations with WB and EBRD in order to identify their priority cities for investment in municipal energy efficiency projects. Both banks submitted to the MERP their investment portfolio with description of current and future investment opportunities in the cities. MERP also discussed investment opportunities with private sector investors such as DTEK.

MERP developed draft Cities Selection and Cooperation Strategy and submitted it to USAID for approval. The Strategy is based on the results of meetings, discussions, and lists of priorities of cities from IFIs (i.e. WB, EBRD, and NEFCO) and private sector investors (DTEK, TAS, others) that are investing in municipal energy reforms. The Selection Strategy was approved by USAID.

To ensure a transparent process for selection of partner cities MERP agreed on cooperation with Association of Ukrainian Cities (AUC). Bil Tucker, MERP COP, and Myroslav Pitsyk, Executive Director of AUC, signed an MOU securing this cooperation. The membership of AUC includes more than 500 cities and towns from across all over the country. The agreement defines priority areas of cooperation between the Project and AUC, such as advocacy and support to the changes of legal and regulatory frameworks, capacity building and

training of city officials, dissemination of best practices, and education and information outreach of municipal energy reform efforts.

The request for applications was advertised on the AUC and MinRegion web sites. The advertisement included invitation for cities to participate, description of proposed activities for cooperation with the cities, and the application form with eligibility and selection criteria.

To select the cities, the MERP Cities Selection Committee was formed. It received applications from 38 cities and proceeded with evaluation of all applications. The Selection Committee consisted of representatives of USAID, MERP, MinRegion, NCCSMR, AUC, WB, EBRD, and NEFCO. The participants received flash drives with scanned copies of the 38 applications and an evaluation form with eligibility and evaluation criteria. Due to the instability in Ukraine during the month of February, the cities selection procedure was completed in early March.

The Selection Committee selected 14 principal cities and three associated cities for participation in the Project's activities. These principal partner cities are: Chernihiv, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Khmelnytskyi, Kramatorsk, Kryvyi Rih, Lutsk, Pavlohrad, Rivne, Sumy, Ternopil, Vinnytsia, and Zaporizhzhia. Yevpatoria was dropped because of annexation of Crimea by Russia. In addition, the Committee selected the cities of Lviv, Kamyants-Podilskyi (SEAPs approved by the EU Covenant of Mayors), and Kyiv, as associated partners. These cities will participate in several project activities (not all activities) primarily focused on trainings and dissemination of best practices. The first group of MERP partner cities for Year 1 includes the following cities: Chernihiv, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Kramatorsk, and Vinnytsia. Selection was approved by USAID COR Andriy Nesterenko. MOUs were signed with 11 cities by the end of March, while the rest MOUs were signed in April 2014.

#### **TASK 2.2: ASSISTING MUNICIPALITIES WITH PLANNING, PREPARING AND FINANCING OF CLEAN ENERGY PROJECTS**

During the reporting period, MERP conducted needs assessments with the partner cities and consultations with the EU Project supporting the Covenant of Mayors in Ukraine. The questionnaire was sent to all 17 partner cities to define the status of their SEAP process and priority areas for energy planning.

MERP started introducing updates to SEAP methodology based on Ukrainian conditions (based on EnEffect MEP MODEL methodology).

MERP experts from ARNIKA and OptimEnergO updated an energy audit methodology for municipal energy systems such as heat, water/waste water, and street lighting. The methodology is based on both EU Energy Norms and Ukrainian technical regulations/standards. Its focus is on the definition of energy consumption and CO<sub>2</sub> baseline, identification of energy efficiency, clean energy and emission reduction projects. The updated methodology will be used in preparation of SEAPs in MERP partner cities.

MERP prepared energy audit questionnaires and Data Information Requests (DIR). The questionnaires and DIRs cover areas of district heating, water/waste water, street lighting, and CO<sub>2</sub> emissions. The questionnaires were sent to selected cities at the end of March 2014 to prepare energy audits and data collection needed for SEAPs.

#### **TASK 2.3: INTRODUCTION OF ENERGY MANAGEMENT SYSTEMS**

During the reporting period, MERP experts from ARNIKA and OptimEnergO started preparation of training materials and a Guidelines Manual on Energy Management in accordance with ISO 50001. The training seminars on Energy Management will start in the next project quarter.

#### **TASK 2.4: DEVELOPMENT CREDIT AUTHORITY LOAN GUARANTEE**

During the reporting period, MERP assisted USAID in implementation of DCA partial guarantee with Bank "Lviv".

MERP participated in a DCA meeting with USAID representatives: Andriy Nesterenko, OEG, USAID Mission Legal team comprised of Laura Gonzalez, Iryna Yurchenko, and James Borger, USAID Field Investment Officer. The participants discussed the details of a DCA partial guarantee established with Bank "Lviv" and prospects for new DCAs with other banks. USAID informed about general terms of guarantee for Bank "Lviv", but was not able to provide a copy of the guarantee agreement. In order to assist the Mission in implementation of DCA with Bank "Lviv" and assisting with initiation of new agreements, MERP

requested additional information on eligible projects, eligible borrowers, DCA monitoring forms, and many other details.

Based on the answers, MERP structured a training curriculum for Bank “Lviv” and started preparation of market research on other banks willing to enter into the guarantee agreement.

MERP experts conducted a field trip to Lviv to meet with the representatives of Bank “Lviv” and to discuss the scope of assistance for energy efficiency lending covered by DCA partial guarantee. The Chairman of the Bank Igor Gavryliak led the meeting, which was also attended by Vasyl Lesyuk, Head of Corporate Business Department; Iryna Yunak, Head of Credit Risk Assessment Department and Andriy Zakharevych, Chief Economist of Corporate Business Department. The Bank identified four key priorities for assistance: development of a new bank product for HOAs, training on ESCOs, expert analysis of business plans by industrial clients and SMEs, and initiation/facilitation of discussions with communal enterprises of Lviv.

Following its meeting with Bank “Lviv”, MERP experts provided the bank with the documents related to financing of HOAs to support implementation of the USAID DCA agreement. The set of documents included:

- Answers to the questions from Bank “Lviv” regarding legal and financial issues of HOAs’ operations;
- Proposals on lending requirements to HOAs for implementation of energy efficiency measures in residential buildings.

The first training seminar with the staff of Bank “Lviv” is planned for April 2014.

#### **TASK 2.5: SUPPORT MECHANISMS THAT MOBILIZE PRIVATE SECTOR INVESTMENTS**

During the first reporting period, the Project provided assistance to the GOU and Rada Committees in preparing a draft law on ESCO/EPC to reduce barriers to private investments in municipal CE/EE projects. During the current period, on request from USAID, MERP legal experts from JurEnergopro prepared comments to an EBRD letter concerning ESCO and compliance of the proposed ESCO procurement mechanisms with EU Directives. MERP experts were invited to the next MinRegion Working Group meeting on ESCO legislation in April.

#### **TASK 2.6: PREPARATION OF SUSTAINABLE ENERGY PUBLIC AWARENESS PLAN AND DEVELOPMENT OF RELATED MATERIALS**

MERP team established the Working Group on Communication Issues. The WG gathered representatives of MERP’s major stakeholders including MinRegion, Association of Ukrainian Cities, NCCSMR, Municipal Development Institute, NGO OPORA, as well as National Ecology Center of Ukraine, and USAID-funded Bibliomist Project.

The first meeting of the Working Group took place in March with the goal of discussing a preliminary outreach plan that ensures efficient, effective, and city-oriented public information campaigns, support from the government, as well as public and civil society in MERP partner cities and on the national level.

The meeting included a presentation of MERP major tasks and related outreach activities; briefs from all the participants on their projects/activities/best practices related to Clean Energy and Energy Efficiency or public outreach; brainstorming session on the audiences, distribution channels, and key messages of the MERP outreach efforts on CE/EE.

The MERP team developed an information strategy matrix, which includes a breakdown of all outreach activities, audiences, distribution channels, key messages and information materials of the MERP outreach efforts on CE/EE for three categories of targeted audiences: national government and Ukrainian parliament; municipalities, communal enterprises; and consumers. This matrix will serve as a basis for the National Outreach Plan and Information Strategy for Municipalities.

During the reporting period, the MERP Communication team created the following materials:

- Project description (one-pager; and comprehensive description covering all Project’s tasks) in both languages;
- Fact sheet about the project (in English);

- Comprehensive Branding and Marking Plan ( in both languages);

On January 30, MERP project applied to USAID with a request for approval of a Project web site. After a follow-on request to USAID regarding the status of the web site approval in late March, the MERP team was asked to fill in another application, which was completed and sent to USAID.

### **ACTIVITY 3: CAPACITY BUILDING AND DISSEMINATION**

#### **TASK 3.1: PREPARATION OF A LOCAL NON-GOVERNMENTAL ORGANIZATION FOR A DIRECT AWARD FROM USAID**

During the reporting period, IRG developed an outline (plan) of selection and capacity building activities (SCBP outline) that will be undertaken by MERP. The proposed approach was agreed with USAID COR. In particular, the NGO selection and capacity building process will include the following activities:

- a) Selection of and capacity building of five local NGOs. At this stage NGOs will not receive funding and MERP assistance will be limited to Organizational Capacity Assessment (OCA), Capacity Building Plan (CBP) development and training in accordance with the CBP;
- b) Development of a meaningful agenda (activities) as part of MERP SOW to be implemented by local NGO initially under a sub-grant awarded by MERP and later under a direct award from USAID;
- c) Preparation for certification, and jointly with USAID certification of eligibility and transitioning to direct USAID funding.

In February - March of 2014, the project conducted research (NGO mapping) to identify NGOs involved in municipal energy sector reform in addition to MERP team members – MDI and OPORA. Through this mapping exercise the project identified 16 local NGOs - candidates for capacity building and certification of eligibility for USAID funding. The information was collected through networking, targeted communications (meetings) and review of NGO websites. In addition, the project also conducted preliminary review as to how these NGOs can potentially implement illustrative activities stated in the MER Project SOW.

The project, in consultation with USAID, developed selection criteria for local organizations to participate in capacity building processes, which will include OCA and CBP development and training. These, combined with the agreed SCBP outline, allowed developing a request for applications (RFA) for capacity building activities. The RFA was submitted to USAID COR for review and concurrence on March 31, 2014. As a result of the competitive selection we expect to identify five local NGOs.

#### **TASK 3.2: FACILITATING GOVERNMENT-TO-GOVERNMENT ASSISTANCE: PREPARING GOU INSTITUTION(S) OR LOCAL GOVERNMENT(S) FOR A DIRECT AWARD FROM USAID**

During the reporting period, MERP management conducted coordination meetings with USAID COR on feasibility of G2G mechanism. In the end of January 2014, the project was informed by USAID that G2G Task 3.2 activities should be put on hold until further notice from USAID.



## **ACTIVITY 4: ENHANCE CAPACITY FOR THE GOU IN LOW EMISSION DEVELOPMENT STRATEGIES (EC LEDS)**

### **TASK 4.1: STRENGTHENING INSTITUTIONAL CAPACITY IN PLANNING LEDS-REDS**

During the second reporting period, MERP continued and enhanced its cooperation with the Ministry of Economic Development and Trade on MOU implementation and development of a draft Work Plan. Six working meetings were conducted with the Ministry representatives and Ms. Musina, Advisor to the Minister, to discuss the draft Work Plan and MOU cooperation details. The draft Work Plan was revised and a second draft will be sent officially to the Ministry upon agreement with the Ministry representatives. During the meetings with the Ministry representatives, it was agreed that LEDS concept is a cross-cutting economy-wide issue, and it is essential to establish enhanced LEDS-REDS inter-agency cooperation in order to develop and implement comprehensive LEDS-REDS. This was achieved by the assessment of the current situation of LEDS in the GOU and existing inter-agency cooperation on LEDS-REDS issues. The outcome of this assessment is presented in Milestone 4.2 and shared with the Ministry of Economic Development and Trade and Ministry of Ecology and Natural Resources. The assessment also presented an enhanced approach to inter-agency coordination. The proposed enhanced approach to inter-agency coordination on green/low emission and resource efficient policies and strategies was discussed by MERP with relevant state bodies and ministries. As an outcome of such discussions, it was recommended that a series of LEDS-REDS coordination Round Tables be held in order to enhance understanding of existing national policies on green/low emission development and to improve inter-agency coordination. This would ensure comprehensive development, consideration and future adoption of economy-wide agreed policies and measures. Broad stakeholder participation, including state officials, scientific and research institutions representatives and civil society, would assist in implementation of a GOU inter-agency coordination process.

#### **Established working relations with LEDS-related state bodies**

Working relations with all LEDS-relevant state bodies and agencies were established, thus achieving Milestone 4.6. LEDS-relevant state bodies were identified, even though the term “low emission development strategies” (LEDS) is not clearly defined in Ukrainian legislation other than indirectly through the relevant UNFCCC decisions adopted by Ukraine. Therefore, LEDS concept is a part of climate change issues under the National Environment Policies as defined in the State Environmental Policies of Ukraine by 2020 Law. In accordance with the state bodies’ competence and responsibilities definition, LEDS activities fall under the Ministry of Ecology and Natural Resources and State Environmental Investment Agency of Ukraine competence and are within direct responsibilities of the GOU. In Verkhovna Rada of VII Convocation, climate change and environment policies issues fall under the subject of competence of the Committee of Environment Policy, and Use of Natural Resources. Comprehensive working relations with LEDS-competent/related state bodies and Verkhovna Rada Committee listed above are essential for achieving EC-LEDS activities goals, as those are the state bodies and committees, responsible or having a leading role on climate change policy initiatives drafting, their adoption and further implementation. Working relations with state bodies and Verkhovna Rada Committees were established through official letters, meetings, consultations, and draft work plans development.

MERP has identified the following state bodies, agencies and Committee based on their mandate and subject of competence, inter alia: Ministry of Ecology and Natural Resources, Ministry of Economic Development and Trade (MEDT), Ministry of Energy and Coal Industry, State Environmental Investment Agency (SEIA), State Agency for Energy Efficiency (SAEE), Committee of Environment Policy, Use of Natural Resources and Chernobyl Aftermath Mitigation of Verkhovna Rada (the Committee). The official letters were sent and introductory meetings conducted with the Ministry of Energy and Coal Industries and Ministry of Ecology and Natural Resources. The exchange of official letters along with numerous working meetings on LEDS issues were conducted with SEIA, SAEE, MEDT and the Committee. Preliminary scope of cooperation was identified and agreed with SEIA, MEDT, Ministry of Ecology and Natural Resources and the Committee. MERP EC-LEDS Task Leader has participated in regular SEIA-internal informal legal expert working group meetings since early January 2014 and MRV Legislation Inter-Ministerial Working Group on March 17, 2014.

#### **Inter-Agency Coordination**

The Inter-Agency Commission on Implementation of UNFCCC was identified as an existing inter-agency cooperation body on LEDS issues. This Commission is a special vehicle established by the Cabinet of

Ministers Decree in 1999 to deal with UNFCCC implementation and commitments on the inter-agency comprehensive level. The Commission deals with the climate change policies and GHG emission reductions issues on the legislative level under UNFCCC framework and provides coordination platform for the ministries and state agencies for climate change issues. It is currently under the authority of Minister of Economic Development and Trade and Vice-Prime Minister. The Commission meets quarterly and is chaired by the Minister of Ecology and Natural Resources and First Vice-Minister of Economic Development and Trade serving as Vice-Chairman. The representatives from all the ministries and state agencies as well as NGOs, Civil Council representative and national scientific and research institutions are also the members of this Commission.

During two out of four meetings of 2013, the Commission considered information on LEDS presented by SEIA and concluded that SEIA should develop long-term LEDS policy approach, upon prior consultation and coordination with MEDT and State Agency for Energy Efficiency. During the previous reporting period, the Commission decided that long-term LEDS policy work should be further continued in 2014. Currently, the 2014 Annual Work Plan of the Commission is under development. MERP established working groups with the Commission Secretary in the Ministry of Ecology and Natural Resources and with some of the Commission members in order to support the LEDS initiative. EC-LEDS Task Leader held two working meetings with the Commission Secretary and working relations were established.

SEIA was identified as one of the core partners for LEDS development and implementation activities. SEIA is a state body, established in 2007 under the Ministry of Ecology and Natural Resources of Ukraine, to be in charge of implementation of climate change and low emission development policies and GHG emission reporting on the national level. SEIA is also responsible for developing and providing climate change and GHG emission reduction policy recommendations to the Cabinet of Ministers through Minister of Ecology and Natural Resources on a regular basis. Currently, it is the only state body dealing with climate change mitigation and adaptation, UNFCCC implementation and commitments, GHG emission reductions and, therefore, low-emission development issues in accordance with its regulations. During the reporting period an exchange of official letters along with numerous working meetings took place between MERP and SEIA.

## **GHG Inventory System**

Activities to support National GHG Inventory System started during the second quarter, official and working meetings conducted between the state agency in charge of GHG Inventory system - SEIA and implementing state enterprise 'National Center of GHG Inventory' and MERP and sub-contractor, IEEC. Working relations were established with SEIA and National Center of GHG Inventory representatives and coordination channels established. The list of all state bodies involved in the GHG Inventory system was prepared and finalized. The initial cooperation areas identified with the IPCC 2006 Best Practices Guidelines transition activities as core support. A preliminary work plan was discussed and should be approved during the next quarter.

## **TASK 4.2: IMPLEMENTING LEDS-REDS THROUGH SUPPORT IN DEVELOPING AND INTRODUCING CLEAN ENERGY TECHNOLOGIES AND ENERGY SERVICES**

### **Donors LEDS Coordination in Legislation Support**

Various donors and IFIs work on climate change and green low emission/carbon development strategies draft legislation. MERP initiated the LEDS Donors Coordination process and conducted the first donors' meeting on technical assistance on climate change related issues in February 2014. Legislation and policy support activities were identified and will be further coordinated in order to avoid duplication and ensure comprehensive and continuous support for the GOU on regional and national initiatives. A draft Matrix of LEDS donors' activities was developed and will be updated regularly. Working coordination with UNDP climate related projects has been established.

Gap analysis of European and Ukrainian legislation on atmospheric emissions had been started by two sub-contractors – IEEC and JurEnergo. MERP conducted the introductory meetings with SEIA and Ministry of Energy and Coal Industry to discuss and present the draft scope of the analysis and agree on the next steps. The work will be continued during Project Quarter 3 and 4.

In March 2014, IBSER developed and presented the first draft scope of work for budgetary programs to streamline the allocation of CO<sub>2</sub> tax. The scope of work will be further discussed with the Ministry of Ecology and Natural Resources.

MERP participated in a regular meeting of the Legal Expert Working Group at SEIA. Proposals for a Draft Law on Strategy for Low Emission Climate Development were discussed during this meeting, and Draft MRV legislation was also considered. This Legal Expert Working Group is a regular meeting of experts on climate change to consider draft legislation and initiatives along with amendments to existing legislation.

**TASK 4.3: DEVELOPING A UNIFORM DATABASE ON LEDS-REDS AND EXCHANGING EXPERIENCES AND BEST PRACTICES WITH OTHER COUNTRIES PARTICIPATING IN EC-LEDS**

This task will start in Project Quarter 3 (delayed due to instability in GOU).

## C.4 PERFORMANCE INDICATORS

The M&E Plan was prepared and submitted to USAID COR for review and approval. The Plan was approved by USAID in April 2014.

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Targets					
				Base line	Year 1	Year 2	Year 3	Year 4	Total
Project Purpose: Enhanced Energy Security									
0.1	Energy Intensity (context indicator)	<b>Units:</b> Tons of oil equivalent/per thousand of USD <b>Sources:</b> GOU (State Statistics Committee, Ministry of Economy, SAAE); World Bank; IEA Reports	Annually <sup>1</sup>	0,69 2012	n/a	n/a	n/a	n/a	n/a
	<b>Definition:</b> Energy Intensity as Units of energy per unit of GDP <b>Justification:</b> Context indicator provided by the USAID Mission. This measures the energy efficiency of a nation's economy. <b>Disaggregated By:</b> N/A								
0.2	Net energy imports as a percent of energy use (context indicator)	<b>Unit:</b> percentage <b>Sources:</b> GOU (State Statistics Committee and Ministry of Energy); World Bank; IEA Reports	Annually	37.9 2012	n/a	n/a	n/a	n/a	n/a
	<b>Definition:</b> Ratio of net energy imported and energy used for all economic sectors. <b>Justification:</b> Context indicator provided by the USAID Mission. This measures dependence of Ukrainian economy from imports of energy resources <b>Disaggregated By:</b> N/A								
0.3	Emission Intensity (context indicator)	<b>Unit:</b> metric tons of CO2 equivalent per thousand USD <b>Sources:</b> GOU (State Statistics Committee and Ministry of Environment); World Bank	Annually	2.99 2011	n/a	n/a	n/a	n/a	n/a
	<b>Definition:</b> Emission Intensity as Ratio of GHG emissions produced by Ukraine's economy to GDP <b>Justification:</b> Context indicator provided by the USAID Mission. This measures the average GHG emission rate from national economic activities <b>Disaggregated By:</b> N/A								
0.4	Number of beneficiaries with improved energy services due to USG assistance	<b>Unit:</b> Number of people, in thousand <b>Sources:</b> Implementing partners; Energy companies / utilities; Municipalities, Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion)	Annually	0	120	700	580	400	1,800
	<b>Definition:</b> This is the number of people who benefit from improved energy services due to USAID assistance. Illustrative examples of improved energy service include a new electricity connection, improved cook stove, or access to gas, increased number of hours of electricity service, and reduced outages and voltage fluctuations. <b>Justification:</b> This is standard indicator 4.4.1-31. The number of beneficiaries of USAID- assisted energy services indicates increased availability of energy for more rapid and sustained economic growth and social development. <b>Disaggregated By:</b> Geographical unit, gender								
Objective 1.0: Improved Energy Policies									

<sup>1</sup> For all context indicators we expect 4 to 7 months lag for FY required M&E Plan reporting of ACTUAL numbers. Municipalities, GOU entities are only available on a calendar year (CY), NOT quarterly basis, and even then NOT UNTIL CY annual reports are released in March-April time frame. For international organizations' index data, we expect lag of 12 months.



No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Targets					
				Base line	Year 1	Year 2	Year 3	Year 4	Total
1.0.1	Index of environmental performance (context indicator)	<b>Unit:</b> Aggregate Index based on 25 indicators <b>Sources:</b> Columbia University	Annually	49.01 Calculated in 2014 (2012 data)	n/a	n/a	n/a	n/a	n/a
<b>Definition:</b> Environmental performance index based on the experience of the Yale Center for Environmental Law and Policy (YCELP) and the Center for International Earth Science Information Network (CIESIN) at Columbia University. “Index” as an aggregate of performance indicators, which generally implies conversion to common units (or a unitless scale) and weighted or unweighted aggregation (i.e., averaging, adding, or applying other mathematical operations) <b>Justification:</b> Context indicator provided by the USAID Mission. The strength of the EPI is in its expert consensus-based framework that identifies critical environmental policy issues and calculates scientifically rigorous metrics on a common and comparable scale <b>Disaggregated By:</b> N/A									
1.02	Number of laws, policies, strategies, plans, agreements or regulations addressing climate change and or biodiversity conservation officially proposed, adopted, or implemented as a result of USG assistance	<b>Unit:</b> Number of documents <b>Sources:</b> Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Committees; Association of Ukrainian Cities; NCCSMR; SAE	Annually	0	2	3	4	3	12
<b>Definition:</b> Laws, policies, strategies, plans, agreements or regulations include those measures developed to address climate change and/or biodiversity conservation issues. If a measure is not yet adopted, it must at least be formally proposed within an official government process to be reported. <b>Justification:</b> This is standard 4.8.2-28 that measures critical adoption of Climate Change laws, policies, strategies, regulations needed for municipal energy reform. Activities use this indicator to monitor achievement towards targets related to results statements of the adaptation results framework. USG programs aggregate data for this indicator to track progress of the global portfolio towards high-level outcomes of the adaptation pillar. <b>Disaggregated By:</b> Type of documents and their approval stage (based on legal score card)									
Sub-objective 1.1 Legislation that supports CE/EE investments is in force									
1.1.1	Business Environment for Energy Index (context indicator)	<b>Unit:</b> Aggregate Index <b>Sources:</b> World Bank Group leads the preparation of the BEE index in close collaboration with other MDBs	Annually	Under development by WB	n/a	n/a	n/a	n/a	n/a
<b>Definition:</b> Business Environment For Energy (BEE) Index (administered by Clean Investment Fund). The BEE index tracks policy indicators related to improving the business environment for investments in renewable energy, energy efficiency, and energy access in each country <b>Justification:</b> Context indicator provided by the USAID Mission. The BEE index permits the analysis of the progress on enabling environment conditions for each country, as a benchmark for monitoring progress over time. <b>Disaggregated By:</b> N/A									
1.1.2	Number of policy reforms/ laws/ regulations/administrative procedures drafted and presented for public/stakeholder consultation to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance	<b>Unit:</b> Number of documents <b>Sources:</b> Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Subcommittee on Communal Services; Association of Ukrainian Cities; NCCSMR; NERC	Annually	0	5	4	4	3	16

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Targets					
				Base line	Year 1	Year 2	Year 3	Year 4	Total
	<b>Definition:</b> Number of reforms, regulations, and procedures drafted by USG implementers and discussed with local stakeholders. <b>Justification:</b> This is standard 4.4.1-33 FAF indicator that measures critical adoption of policy/procedural improvements needed for sector reform. An improved enabling environment is essential for attracting investment and improving the sustainability of all energy services. <b>Disaggregated By:</b> Type of documents and their approval stage (based on legal score card)								
Intermediate result (outcome) 1.1.2.1 Advanced coordination of GOU and donors established									
1.1.2.1	Number of GOU Working Groups meetings assisted by USG to support legal and regulatory municipal energy reforms	<b>Unit:</b> Number of Working Groups meetings <b>Sources:</b> Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Subcommittee on Communal Services; Association of Ukrainian Cities; NCCSMR	Semi-annually	0	8	8	8	6	30
	<b>Definition:</b> Number of GOU WG meetings organized and assisted by the project experts to advance improvement of legal and regulatory environment of municipal energy reform <b>Justification:</b> This is project level indicator measuring project efforts in coordinating GOU agencies in municipal energy reform <b>Disaggregated By:</b> N/A								
1.1.2.2	Advanced e-based donor coordination platform developed and used to support municipal energy reform	<b>Unit:</b> Process indicator (S1-S4) <b>Sources:</b> Implementing partners; Donors	Semi-annually	0	S1/S2	S3/S4	S4	S4	S4
	<b>Definition:</b> E-based platform developed to support advanced donor coordination on municipal energy reform. Process indicator: S1 – concept developed; S2 – technically implemented; S3 – training organized; S4 – e-based tool is used <b>Justification:</b> Indicator of improved donor coordination with support of IT-tool. Support and facilitate exchange of agenda, legal and technical documents, public outreach materials and best practices <b>Disaggregated By:</b> N/A								
Sub-objective 1.2 GOU implement a sound LEDS-REDS									
1.2.	Number of institutions with improved capacity to address climate change issues as a result of USG assistance	<b>Unit:</b> Number of entities <b>Sources:</b> Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment Ministry of Economy; Rada Committees; Professional Associations; Municipalities	Annually	0	8	8	7	2	25
	<b>Definition:</b> Institutions with improved capacity to address climate change issues have new or increased ability to use new or different approaches, processes, strategies, or methodologies to mitigate and/or adapt to climate change. Measuring improved institutional capacity to address climate change an initial baseline assessment of the targeted capacity and a post-intervention assessment. Relevant institutions include partner government or regional government institutions (such as ministries, departments, or commissions), private sector entities, local civil society organizations, and trade unions, among others. <b>Justification:</b> This is standard indicator 4.8.2-14 that measures government ability and improved capacity to implement LEDS-REDS <b>Disaggregated By:</b> Type of entities								
Intermediate result (outcome) 1.2.1. Better understanding of GCC and LEDS-REDS issues									
1.2.1	Number of people receiving training in global climate change as a result of USG assistance	<b>Unit:</b> Number of people <b>Sources:</b> Implementing partners; GOU entities; Municipalities; Industry professionals and their associations	Semi-annually	0	200	200	300	300	1000
	<b>Definition:</b> Training is defined as a learning activity for participants involving: 1) a setting intended for teaching or transferring knowledge, skills, or attitudes; 2) formally designated instructors or lead persons; and 3) a defined curriculum, learning objectives, and outcomes. This indicator focuses on delivery of training that was made possible through full or partial funding from the USG. This could include provision of funds to pay teachers, providing hosting facilities, or other key contributions necessary to ensure training was delivered. <b>Justification:</b> This is standard 4.8.2-6 GCC indicator that measures increased knowledge on GCC and LEDS-REDS								

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Targets					
				Base line	Year 1	Year 2	Year 3	Year 4	Total
	Disaggregated: Gender								
Intermediate result (outcome) 1.2.2 Better use of analytical tools for LEDS-REDS									
1.2.2	Number of GOU and local government entities using TIMES-Ukraine model or MEIS for planning and projections GHG emission reduction	Unit: Number of entities Sources: Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; municipalities SAE; SAEI; Implementing partners	Semi-annually	0	8	6	5	1	20
	Definition: Number of national and local government entities trained on TIMES-Ukraine or MEIS and able to use model for LEDS-REDS (i.e. SEAPs) Justification: Indicator of capacity building on TIMES-Ukraine at the GOU level and MEIS at the municipal level which ensures analytical support for LEDS-REDS Disaggregated By: Type of entities								
Sub-objective 1.3 GOU apply improved tariff methodologies and target household subsidies									
1.3.1	Number (and percentage) of GOU-regulated utility companies that apply cost-reflective, incentive-based tariff(s) as a result of USG assistance	Unit: Number of companies Sources: NCCSMR, regulated utilities, associations of utilities, municipalities, Implementing partners	Annually	0	0	0	10	90	100
	Definition: Number of regulated utilities that applied cost-reflective methodology with incentive towards EE investments Justification: Indicator of introduction of cost-reflective tariffs that lead to EE investments in municipal utilities Disaggregated By: Geographic unit								
1.3.2	Percentage of Ukraine consumers served by GOU-regulated utility companies that apply cost-reflective, incentive-based tariff(s) as a result of USG assistance	Unit: Percentage Sources: NCCSMR, regulated utilities, associations of utilities, municipalities, Implementing partners	Annually	0	0	0	2	18	20
	Definition: Percentage of consumers served by regulated utilities that apply new cost reflective incentive based tariff methodology Justification: Indicator of introduction of cost-reflective tariffs that lead to better service to end-consumers Disaggregated By: Geographic unit								
Intermediate result (outcome) 1.3.2.1 Improved capacity of the Regulator and utilities on developing and using incentive tariffs and benchmarking methodologies									
1.3.2.1.1	Energy market Regulator's capacity as a result of USG assistance	Unit: Process indicator (S1-S4) Sources: NCCSMR; Municipal utilities; Implementing partners	Semi-annually	0	S1/S2	S2/S3	S3	S4	S4
	Definition: National Regulator for Housing and Communal Services improved its capacity to regulate utilities in accordance with the best international practices. Process indicator: S1 – OCA conducted to identify areas for improvement; S2 – Capacity Building Plan prepared and implemented; S3 – Regulatory Information Management System developed and operational; S4 – International Best practices transferred and used Justification: Indicator of capacity building for NCCSMR. Measures progress of improved regulatory capacity to support market reform Disaggregated By: N/A								
1.3.2.1.2	Transparent incentive based tariffs methodologies developed and approved by National Regulator	Unit: Process indicator (S1-S4) Sources: NCCSMR; Municipal utilities; Implementing partners	Semi-annually	0	S1/S2	S2	S3	S4	S4
	Definition: Methodologies for cost-recovery incentive tariffs developed with assistance of USG programs. Capacity built for the Regulator, its regional offices and municipal utilities to use them. Process indicator: S1 – Methodologies developed and approved; S2 – Training and capacity building seminars provided; S3 - Methodologies tested on pilot utilities; S4 – Enforcement started Justification: Indicator of introduction and capacity building on new tariff and benchmarking methodologies needed to improve financial and operation performance of municipal utilities								

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Targets					
				Base line	Year 1	Year 2	Year 3	Year 4	Total
	Disaggregated: N/A								
Intermediate result (outcome) 1.3.2.2 Adverse effect of tariff increases on vulnerable population is mitigated									
1.3.2.2	Number of people that benefit from strengthened social policy and improved subsidies system (direct, means tested, monetized)	Unit: Number of people Sources: Implementing partners; Ministry of Labor; State Statistics Agency; Municipalities	Semi-annually	0	5,000	10,000	20,000	25,000	60,000
	Definition: Number of people in the cities involved in improved social safety-net protection program developed with USG assistance Justification: Indicator of improvement of subsidies system needed for enforcement of cost-recovery tariffs Disaggregated By: Geographic unit; gender								
Sub-objective 1.4 GOU applies modern EE standards									
1.4	Number of EE and CE standards developed and approved by the GOU as a results of USG assistance	Unit: Number of documents Sources: Implementing partners; MinRegion; MinEconomy; SAE; professional associations	Semi-annually	0	2	2	2	0	6
	Definition: Number of EE and CE standards prepared and approved with USG assistance Justification: Indicator of improvement of energy standards in accordance with requirements of Energy Community Disaggregated By: N/A								
Objective 2.0: Increased Energy Efficiency									
2.0	Energy saved as a result of USG assistance <sup>2</sup>	Unit: Million Cubic Meters of gas Sources: Implementing partners; GOU entities; Municipalities; private partners; utilities; IFIs; commercial banks	Annually	0	0	70	83	113	266
	Definition: Measures the amount of energy saved through efficiency or substitution measures indicated in SEAPs , LEDS-REDS sectorial strategies and implemented with USG assistance. It takes into account total savings over a five-year long project life. Justification: Indicator of energy saved from implementation of policy and project measures. Disaggregated By: Geographic unit								
Sub-objective 2.1 Increased access to CE production and EE improvement services									
2.1	Number of CE/EE improvement projects prepared and implemented as a result of USG assistance	Unit: Number of projects Sources: Implementing partners; Energy companies / utilities; Municipalities, MinRegion, IFIs, commercial banks and private investors	Annually	0	0	6	5	4	15
	Definition: Number of CE/EE projects prepared for IFIs, commercial banks, or private sector investments by project experts, including feasibility studies, business plans, technical specifications, tender documents Justification: Indicator that municipalities and utilities are moving forward productively in preparation of investment proposals and securing funding for making CE/EE improvements Disaggregated By: Geographic unit								
Intermediate result (outcome) 2.1.1 Sustainable energy planning and energy management introduced									
2.1.1.1	Number of low emissions development strategies developed as a result of USG assistance (LEDS, SEAP, other)	Unit: Number of plans Sources: Implementing partners; Energy	Semi-annually	0	6	5	4	0	15

<sup>2</sup> Indicator targets for Energy Saved use economic and energy price assumptions. If economic situation changes dramatically (more than 20% i.e. currency exchange rate), we will recommend revision of the proposed targets for this indicator.

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Targets					
				Base line	Year 1	Year 2	Year 3	Year 4	Total
		companies / utilities; Municipalities							
	<b>Definition:</b> Number of strategic action energy plans developed, completed and presented for approval in 15 cities (in accordance with Covenant of Mayors requirements) with project assistance. <b>Justification:</b> Indicator that selected municipalities are taking productive steps toward developing and implementing a long-term, economically efficient, and environmentally sustainable energy strategy, using where possible renewable energy sources. <b>Disaggregated By:</b> Geographic unit								
2.1.1.2	Number of cities involved in energy management as a result of USG assistance	<b>Unit:</b> Number of cities <b>Sources:</b> Implementing partners; Municipalities and utilities	Semi-annually	0	6	5	4	0	15
	<b>Definition:</b> Number of cities that developed and approved energy management systems based on ISO 50001. <b>Justification:</b> Indicator of energy management systems in the cities to sustain municipal energy reforms <b>Disaggregated By:</b> Geographic unit								
Sub-objective 2.2 Expanded opportunities for training in CE/EE									
2.2	Person hours of training completed in technical energy fields supported by USG assistance	<b>Unit:</b> Number of persons-hours in training. <b>Sources:</b> Implementing partners; GOU entities; Municipalities; Industry professionals and their associations	Annually	0	3,680	3,200	2,400	1,280	10,560
	<b>Definition:</b> This indicator uses the following equation (number of trainings x number of persons x number of hours) to express the number of USG-supported training hours that were completed by training participants <b>Justification:</b> This is standard indicator 4.4.1-34. Indicator of capacity building to ensure future ability to reform and sustain the sector reforms. <b>Disaggregated By:</b> Type of person trained; type of training provided; gender								
Intermediate result (outcome) 2.2.1 Local capacity to implement CE/EE initiatives through direct donor awards is improved									
2.2.1	Number of local organizations engaged in capacity building to prepare for receiving direct donor assistance	<b>Unit:</b> Number of organizations <b>Sources:</b> Implementing partners; Municipalities; NGOs, Industry professionals associations	Semi-annually	0	3	2	0	0	5
	<b>Definition:</b> Number of local NGOs and professional associations involved in training on improved organizational, financial management, HR, and technical capacity to be qualified for USAID and other donor funding <b>Justification:</b> Indicator of capacity building for local NGOs and professional associations to ensure future ability to reform and sustain the sector reforms. <b>Disaggregated By:</b> Geographic unit								
Sub-objective 2.3 Increased public appreciation of EE benefits									
2.3	Public acceptance of energy efficiency and clean energy measures as a result of USG assistance	<b>Unit of Measure:</b> Percentage of people <b>Sources:</b> Implementing partners; Municipalities; Industry professionals associations and CSOs; utilities; HOAs associations and Resource Centers	Annually	0	5	10	10	25	50
	<b>Definition:</b> Percentage of people surveyed who express support of a shift to energy efficiency and clean energy measures <b>Justification:</b> Indicator of how USG assistance improved public awareness and support to municipal energy efficiency and clean energy measures in 15 partner cities <b>Disaggregated By:</b> Geographic unit; Gender								
Intermediate result (outcome) 2.3.1 Targeted outreach campaign prepared and implemented									
2.3.1	Number of events undertaken to promote	<b>Unit:</b> Number of events	Semi-	0	8	7	7	8	30

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Targets					
				Base line	Year 1	Year 2	Year 3	Year 4	Total
	energy-efficient reforms and institutionalize a public participation process	<b>Sources:</b> Implementing partners; Professional associations; Municipalities; GOU entities	annually						
	<b>Definition:</b> Number of public events undertaken to promote energy-efficient reforms and institutionalize public participation processes. Includes public opinion surveys, conferences, round tables, high-level discussions, public hearings, public city councils, hearings and public information campaign activities <b>Justification:</b> Indicator of how USG assistance support public events needed for official and public acceptance for municipal energy reform, i.e. CE/EE plans, programs, and projects cities <b>Disaggregated By:</b> Geographic unit								
	<b>Objective 3.0: More Private Investment in Energy Sector</b>								
3.0	Amount of investment leveraged in U.S. dollars, from private and public sources, for climate change as a result of USG assistance	<b>Unit:</b> Millions of US Dollars <b>Sources:</b> Implementing partners; Energy companies / utilities; investors; banks; IFIs; commercial banks	Annually	0	0	55	65	80	200
	<b>Definition:</b> Funding leveraged, as a result of USAID assistance, for climate change programs, that support actions, activities, projects or programs that reduce or sequester GHGs or increase capacity to adapt to the impacts of climate variability and change. Funding may be leveraged from the public sector (e.g., other donors) or private sector financing (e.g., corporate investments) and must be additional to USG funds invested in a program and must advance the objectives established by the USG-supported program. Leveraged funds can include funding transferred to a common funding instrument, delivered in parallel or provided in-kind. <b>Justification:</b> This is standard indicator 4.8.2-10. USG funds are intended to be catalytic and to have sustainable benefits. Sustained private investment is a positive indicator of a supportive enabling environment. <b>Disaggregated By:</b> Geographic unit; Investment / Lending source								
<b>Sub-objective 3.1 Reduced GHG emissions</b>									
3.1	Quantity of greenhouse gas emissions reduced or sequestered as a result of USG assistance in energy, industry, urban, and or transport sectors <sup>3</sup>	<b>Unit:</b> thousand metric tons CO <sub>2</sub> equivalent <b>Sources:</b> Implementing partners; Municipal utilities; Municipalities; Energy service companies	Annually	0	0	132	157	214	503
	<b>Definition:</b> This indicator reports the quantity of greenhouse gas (GHG) emissions, estimated in metric tons of CO <sub>2</sub> -equivalent, reduced, sequestered, and/or avoided, as a result of USG activities, as compared to a baseline level of GHG emissions. <b>Justification:</b> This is mandatory standard indicator 4.8-7. Indicator of GHG emission reduction resulting from all project activities <b>Disaggregated By:</b> N/A								
<b>Intermediate result (outcome) 3.1.1 Based on improved GHG accounting, mitigation actions developed</b>									
3.1.1.1	National Inventory System functioning in accordance with latest IPCC requirements	<b>Unit:</b> Process indicator (S1-S4) <b>Sources:</b> Implementing partners; SAEI; MinEcology	Semi-annually	0	S1	S2	S3	S4	S4
	<b>Definition:</b> National Inventory System enhanced according to international best practices (IPCC requirements) with expansion to forecasting use and local customization, and deployed. <b>Justification:</b> Proper accounting of GHG is a basis for GHG planning and mitigation. Process indicator: S1 – Gap analysis conducted; S2 – Recommendations prepared; S3 – Enhancement measures developed; S4 – Implementation started <b>Disaggregated By:</b> N/A								
3.1.1.2	Number of climate change mitigation tools, technologies and methodologies developed	<b>Unit:</b> Number of tools <b>Sources:</b> Ministry of Energy; MinRegion; Ministry	Semi-annually	0	0	2	4	4	10

<sup>3</sup> Indicator targets for Quantity of GHG Emissions use economic and energy price assumptions. If economic situation changes dramatically (more than 20% i.e. currency exchange rate), we will recommend revision of the proposed targets for this indicator.

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Targets					
				Base line	Year 1	Year 2	Year 3	Year 4	Total
	and adopted as a result of USG assistance	of Environment; Ministry of Economy; municipalities and utilities; SAAE; SAEI; Implementing partners							
	<b>Definition:</b> Number of methodologies, technologies and tools developed to support CO2 emission reduction plans and LEDS-REDS implementation <b>Justification:</b> Indicator of development of enabling tools (i.e. methodologies and technologies) for implementation of LEDS-REDS at both national and local levels <b>Disaggregated By:</b> Types of tools								
Sub-objective 3.2 Increased capacity to identify and use new funding for increasing EE and CE production at the municipal level									
3.2.1	Number of CE/EE loans (except DCA) prepared and executed as a result of USG assistance	<b>Unit:</b> Number of loans <b>Sources:</b> Implementing partners; IFIs, private investors, commercial banks	Annually	0	0	2	2	2	6
	<b>Definition:</b> Number of loans for EE and CE projects prepared and executed with assistance of USG <b>Justification:</b> Indicator of attraction of commercial funding for CE and EE projects at the municipal level <b>Disaggregated By:</b> Geographic unit								
3.2.2	DCA utilization ratio including number of loans (for all DCA arrangements)	<b>Unit:</b> Ratio of value of loans issued under guarantee to total value of guaranteed portfolio, in percentage <b>Sources:</b> Implementing partners; banks	Annually	0	5	10	20	20	55
	<b>Definition:</b> Measures utilization of DCA partial guarantee by the partner banks for financing of EE projects <b>Justification:</b> Indicator of utilization of DCA partial guarantee. Used for evaluation of efficiency of DCA program <b>Disaggregated By:</b> Geographic unit								
Intermediate result 3.2.2.1 New financial mechanisms developed and implemented at the municipal level									
3.2.2.1	Number of financial mechanisms developed with USG assistance	<b>Unit:</b> Number of mechanisms <b>Sources:</b> Implementing partners; ESCOs, private investors, municipalities	Semi-annually	0	0	2	2	2	6
	<b>Definition:</b> Number of new financial mechanisms prepared and used at the municipal level. It includes concept papers, due diligence documents, and agreements for ESCOs/EPCs, GDAs, PPPs, others for financing of CE/EE projects <b>Justification:</b> Indicator of extension of financial mechanisms for CE/EE projects <b>Disaggregated By:</b> Geographic unit; type of mechanisms								

## C.5 COSTS

A summary of project expenditures versus funding is provided below.

Activity:	Ukraine Municipal Energy Reform (MER)	
Task Order:	9	
Task Order COR	Andriy Nesterenko/Maria Garastovskaya	
Start Date:	9/27/2013	
End Date:	9/29/2017	
Task Order ceiling price:	\$13,496,928	
Total Obligated toward ceiling:	\$7,000,000	
Task Order ceiling remaining:	\$6,496,928	Ceiling minus obligated
Programmed	\$7,000,000	
Total disbursed (invoiced):	\$568,585	invoiced as of 03/31/2014
Accruals (cumulative):	\$426,415	through 03/31/2014
Pipeline balance:	\$6,005,000	Obligated funds minus Expended funds minus Accruals
Un-programmed Funds:	\$0	Total Obligated minus Total Programmed



## D. SCHEDULES

During the second reporting period, MER Project made efforts to meet the Project Schedule described in the Work Plan (see ATTACHMENT 1 to this report).

Most of Project technical activities and expected results for the Second Quarter were achieved. However, due to general political and economic crisis in the country, project schedule for some activities was delayed for one month. During implementation, the Project encountered several problems, described in Section E of this Second Quarterly Report.

# E. PROBLEMS

## **Administrative:**

During the reporting period, MERP made several requests to USAID and re-filed the forms to open a project web-site. However, so far USAID has not provided its approval for MERP web-site creation. This presents difficulty in publicizing activities and achievements of MERP, advertising position vacancies, tenders, RFPs, and related notices and articles. Thus, it reduces the potential effectiveness and efficiency of USAID assistance to Ukraine.

## **National level:**

During this reporting period, President Yanukovich snuck out of Ukraine in the middle of the night and therefore the Yanukovich government was dismissed and a new interim government was formed. Overall, it has had a positive effect of project activities and the reform agenda. However, the bureaucratic process of government change has affected the project schedule: all governmental working groups are under construction, Rada Committees were unable to review and approve any legislation during most of the reporting period. All this delayed Project legislative activities for at least one month.

## **Local level:**

Due to the political crisis and social unrest, the cities were unable to respond to the Project city selection RFA in the planned time. The Project extended deadline for submission of applications by cities for two weeks. It affected the project schedule and the Introduction Seminar was shifted from the currently reported quarter to April 2014.

## F. PLANS

**Under Activity 1, the following activities are planned for Quarter 3 of the Project:**

- Monitor, develop and promote changes to legislation on HOAs
- Prepare draft standard on Energy Management and present it for consideration of SAEE WG
- Draft first standard on energy audit based on EU norms
- Assist the Commission in obtaining political approval of the GOU for enforcement of a Gradual Tariffs Increase Plan
- Develop and test the service quality system that is linked with tariff setting process.
- In coordination with WB social assistance team prepare proposals for changing current system of privileges and subsidies
- Assist the Ministry of Social Policy on implementation of new social assistance system for low-income consumers of communal services
- Assist the Commission in preparing specifications and tender requirements for software development
- Prepare report on the proposed system of service quality benchmarking and conduct fully inclusive workshops for NCCSMR staff on public rulemaking procedures for NCCSMR, utility companies, and customers to educate all stakeholders about customer service contracts and to finalize the language and clauses of the contracts.
- Assisting the Commission in monitoring and data collection from utilities to ensure compliance of utilities with new regulatory principles and accurate data collection and reporting
- Conduct training seminar for Commission regional offices on key functions; organization support; transparency; consumer protection; and assuring quality of municipal services
- Conduct training seminar for MinRegion representatives on procedures of international procurement, monitoring
- Provide assistance to employees of MinRegion and Project Implementation Units on issues of international procurement, procedures of preparation and approval of international projects, control of their implementation

**Under Activity 2, the following activities are planned for Quarter 3 of the Project:**

- Harmonize the input data, macroeconomic assumptions and forecast to the “MODEL” SEAP methodology and the TIMES-Ukraine national planning model
- Transfer the Municipal Energy Information System to the cities and train city staffs on its use

- Prepare recommendations and provide assistance to selected cities with improving energy management and monitoring systems, including data collection and analysis, and methodologies for CO2 emission calculation.
- Conduct energy audits in the cities to evaluate current baselines and estimate potential for EE/CE/GHG emission reduction projects for key municipal service areas
- Compile a comprehensive database for each participating city, including characterizations of apartment and public buildings, their historical energy use, energy producers and their transmission systems
- Provide methodological support to 5 Condominium Resource Centers established with USAID assistance to transform those Condominium Resource Centers into Clean Energy Advisory Centers and extend their consultancy focus.
- Assist cities in identifying goals and preparing an energy management policy
- Assist partner cities in preparing energy management documentation, procedures and tools (including IT tools) according to ISO 50001 requirements
- Conduct training seminar for Bank Lviv to support use of DCA guarantee in the municipal sector for CE/EE projects
- In cooperation with USAID, the Project experts will assist in conducting assessment and financial/creditworthiness analyses of potential borrowers and banks
- Improve provisions of PPP law, preparation of legal and regulatory acts of local governments, draft agreements, instructions and methodology in this field
- Provide PSAs materials to the Regional Consulting Centers and Regional Offices of the Association of Ukrainian Cities and Communities in order to target outreach

**Under Activity 3, the following activities are planned for Quarter 3 of the project:**

- Publicize capacity building opportunity and issue call for applications.
- Develop a comprehensive list of capacities and qualities that the local partner should possess in order to qualify for receiving USAID award;
- Analyze applications and conduct selection process of NGOs for capacity building activities.
- Conduct Organizational Capacity Assessment (OCA) that will provide a baseline from which NGOs performance improvement will be measured and to define the capacities required to become eligible for direct USAID funding. This will include basic training needs analysis for NGOs' personnel.
- Development of capacity building and training plans for selected NGOs. Each plan will identify priority development actions in the following areas: 1) organizational capacity building; 2) technical skills and capacity improvement.

**Under Activity 4, the following activities are planned for Quarter 3 of the project:**

- Initiate and support Inter-Agency Committee meeting and include LEDS-REDS Work Plan in its agenda

- Developing and signing/approving cooperation Work Plan with State Environmental Investment Agency.
- Assist State Environmental Investment Agency of Ukraine new management and participate in the draft laws working groups on MRV and Draft Law on State Climate Strategy
- Working meetings and participation in the working groups of the Verkhovna Rada Committee on Environmental Policy and Use of Natural Resources related to climate change legislations
- Conduct regular LEDS Donors Coordination meetings
- Finalizing the LEDS Donors Activities Matrix
- Approving National GHG Inventory System Enhancement Plan

# ATTACHMENT 1

During the reporting period the Project implementation was based on approved Municipal Energy Reform Project Work Plan for Project Year One, which is provided here as ATTACHMENT 1.

The Work Plan covers all Activities and Tasks of the Project. The right hand column headed, “Milestones” lists all Project milestones scheduled to be accomplished in Year One.



**USAID**  
FROM THE AMERICAN PEOPLE

# MUNICIPAL ENERGY REFORM IN UKRAINE

## **MUNICIPAL ENERGY REFORM PROJECT WORK PLAN FOR PROJECT YEAR ONE**

December 12, 2013

This document was produced for review by the United States Agency for International Development.  
It was prepared by IRG.



## YEAR 1 WORK PLAN NARRATIVE

### OVERALL APPROACH

The objective of the project is to enhance Ukraine's energy security by implementing municipal energy reform with a focus on CE, EE, and GHG emissions reduction. The Year 1 project activities will build a basis for successful implementation of municipal energy reforms.

Under **Activity 1**, our support to the GOU and the Rada will contribute to the legal and regulatory changes needed to succeed with reform measures and meet EU Energy Community Treaty requirements. We will establish advanced donor coordination protocol to ensure synergy of donors' efforts in municipal energy reforms.

Our legal experts from JurEnergio will conduct legal and regulatory assessments to identify progress of draft legislation/regulation developed by the GOU on municipal energy efficiency and renewable energy. Based on the results of the assessments, JurEnergio and IRG will develop legislation and other legal framework aspects to introduce Energy Performance in Buildings in accordance with EU Energy Performance of Buildings Directive (EPBD) 2, mandatory metering, EPC/ESCOs and other legislation to improve end-use energy efficiency and reduce GHG emissions.

It is expected that MERP will assist MinRegion and State Agency for Energy Efficiency (SAEE) in developing two energy standards during the first project year: one on energy audit and another on energy management (based on ISO 50001).

We will support the National Commission on Communal Services Market Regulation (NCCSMR) to introduce incentive tariff regulations. During the first year, our experts will work with NCCSMR on regulatory accounting and evaluation of assets of municipal utilities that are a pre-requisite for incentive regulation. Our experts will assist NCCSMR in design of software for tariff regulation and benchmarking of municipal utilities, design social safety nets that combine targeting of subsidies to conserve public funding, incorporate energy efficiency to contain consumption, and use means-testing and social surveys to ascertain ability and willingness to pay (as well as other critical consumer views). This work will be conducted in close coordination with SIDA/WB technical assistance project.

Under **Activity 2**, the IRG team will introduce strategic energy action planning in compliance with European Covenant of Mayors (CoM). Our work in the cities will start with development of a cooperation strategy with IFIs. The city selection process will be conducted in close coordination with USAID. We will ensure that MERP partner cities are selected in accordance with IFIs lending strategies/portfolio.

The MERP will use EnEffect MODEL planning methodology, which is recognized by CoM, for Sustainable Energy Action Plans (SEAPs). We will extend municipal energy information systems (MEIS) for CO2 inventory and development of emission reduction scenarios for the partner cities. Our experts will link the national level assumptions used by TIMES-Ukraine modeling with SEAPs. Also in Year 1, the Regional Training Centers (RTCs) established under MHRP will assist in SEAP preparation for 6 cities.

The MERP team will pursue traditional financing sources as well as carbon credit sales and EE investment/savings accounts to provide tailored financing for municipal infrastructure investments. Our team will establish close cooperation with IFIs to support their programs with cities. Our experts will assist cities/utilities in establishment of PIUs and preparation of tender documents/technical specifications in accordance with the best international practices.

We will cooperate with commercial banks (starting with Bank Lviv that signed a DCA agreement with USAID in October 2013) and train them on CE/EE projects and use of USAID's DCA Loan Guarantee.

Education and outreach are critical to all tasks. From inception of the project, the MERP team will work to better inform all levels of society – from the GOU to the Rada, from energy professionals to consumers, from academia to the media. Our experts will create and deliver targeted messages to educate and advocate for reform in the selected municipalities.

**Activity 3** focuses on capacity building of NGOs and government entities to ensure sustainability of project results and meeting USAID Forward goals. The MERP team, in close coordination with USAID, will select candidates and implement Organizational Capacity Assessments (OCAs) for those organizations and for pre-selected local partners. We will train them in key areas identified in their OCAT to ensure they meet USAID eligibility criteria for direct awards.

USAID initiated G2G cooperation in Ukraine. Based on the results of G2G feasibility study and USAID instructions, the MERP will select a government organization(s) for further capacity building and development of procedures for G2G grants.

**Activity 4** focuses on EC-LEDs to support GCC initiatives and GHG emissions reduction. The project experts will assist the GOU in meeting LEDs milestones such as establishment of interagency coordination unit on LEDs/REDS and developing Work Plan for LEDs/REDS implementation.

Based on the achievement of these milestones, MERP will assist GOU working groups on LEDs/REDS. It is expected that during Year 1, IRG and sub-contractor CCS will provide capacity building on LEDs/REDS for two sectors. Sub-contractor IEEC experts will work on improvement of the GHG National Inventory to ensure that it is functioning in accordance with IPCC requirements. Sub-contractor DWG will assist two sectorial working groups on the TIMES-Ukraine modeling tool that will be used for GHG emissions forecasting. We will coordinate our assistance with donors and establish a LEDs-REDS web-portal.

## **RESULTS, TARGETS, MILESTONES, AND DELIVERABLES**

Expected results are shown in the Performance Monitoring Plan. The MERP milestones and deliverables to be achieved through implementation of Year 1 project activities are summarized in the Work Plan table, following this Narrative. The most critical milestones for Year 1 are:

- Development of key CE/EE legislation and regulations consistent with the USAID Mission Country Strategy, GCC Indicators, and EU Energy Community Treaty
- Development of local capacity (i.e., government, business, and NGOs) in accordance with new energy management standards
- A robust energy planning (i.e., SEAPs) and modeling capability with implementation in 6 municipalities in Year 1
- Supported provided to PIUs of IFIs projects in 6 cities
- A targeted outreach and public awareness program in 6 municipalities in Year 1 to support preparation of SEAPs and CE/EE investment projects

- Meeting two LEDS/REDS milestones: establishment of interagency coordination on LEDS/REDS and developing the Work Plan for LEDS/REDS
- Improve GHG National Inventory
- Capacity built on GHG planning (TIMES-Ukraine) and modeling capability with two GOU entities.

#### **TIMELINE**

MERP is a four-year contract that officially began on September 27, 2013. The timeline is presented in our Year 1 Gantt chart, found in this section following the Work Plan table, which delineates a timeline of activities, milestones, deliverables, and expected results.

VER: 4

DECEMBER 12, 2013

**Inception and Mobilization Phase Activities**

Success of Inception and Mobilization Phase will be measured by fully operational Project able to perform Project Tasks and achieve required results

Activities	Lead	Support	Implementation Dates	Outputs / Deliverables / Results	Milestone / Comments
Mobilization of project team: preparation of job responsibilities and agreements	IRG	Partners	October 1-10, 2013	Start-up Project team fully engaged.	
Selection of the project office. Preparation and signature of lease agreement	IRG	Partners	October 1-15, 2013	Office established	
Meetings with the partners and agreement on the terms of cooperation and work schedule	IRG	Partners	October 1 – 15, 2013	Meetings conducted. MOUs and Support letters prepared.	
Updated work plan for Y1 and PMP prepared and submitted to USAID COR	IRG	Partners	October 1 – 30, 2013	Draft WP and PMP submitted to USAID	
Project kick-off conference organized with the GOU representatives, cities, energy professionals, and NGOs	IRG	Partners	November 1-15, 2013	Kick-off meeting conducted.	
Signature of MOUs	IRG	Partners	November 1-30, 2013	MOUs signed and submitted to Ministry of Economy.	
Project registration	IRG	Partners	December 1 – 30, 2013	Project is registered and operational	<ul style="list-style-type: none"> <li>Project is fully operational</li> </ul>

**Activity 1: Improve Clean Energy Regulatory And Legislative Enabling Environment**

**Expected results:** Critical reform legislation is developed and supported by key stakeholders; Overall clean energy enabling environment is improved; The National Utility Regulation Commission's capacity for effective, transparent and socially-responsible regulation is improved; Cost-reflective, incentive-based tariff regulation is applied in

Ukraine; Adverse effect of tariff increases on vulnerable population is mitigated; Cost recovery ratio in heat tariffs is improved					
Task Activities	Lead	Support	Implementation Dates	Outcomes / Deliverables / Results	Milestone / Comments
<b>Task 1.1 Developing Enabling Legislative and Policy Environment</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Passage of key draft laws and sub-laws needed for MER implementation; Donor coordination platform improved and supportive to reforms</b>	Key legislation/regulations drafted and presented to key stakeholders
Meeting Presidential Center of Economic Reforms to discuss establishment/upgrade of high-level GOU WG on municipal energy reform	IRG	MDI, JurEnerg	October 15-30, 2013	Minutes of meetings; presentation materials; protocol with recommendations on upgrade of high-level GOU WG related to municipal reform	
Assess current status of CE/EE legislation and prepare proposals to the GOU Annual Plans for legislation/regulation development	IRG	JurEnerg, MDI	October 15-December 30, 2013	Assessment report, proposals to the GOU Annual Plan	<ul style="list-style-type: none"> <li><b>M1.1:</b> Key Priority list of CE/EE legislation/regulations established (based on the assessment results, MERP will define a priority list of legislation to be developed or amended)</li> </ul>
Establish and support mid-level experts group on development/improvement of specific bills (EE in Buildings, Metering, HOAs, ESCO/EPC, etc.)	IRG	MDI, JurEnerg, Donors, NGOs	October 15, 2013 – January 30, 2014	List of experts for mid-level sub-groups; agenda and materials from expert groups' meetings	
Meet donors and agree on coordination platform: new e-based coordination platform and secretariat	IRG	MDI, JurEnerg	October 1, 2013 – January 30, 2014	Established e-based/share-point platform to facilitate/manage coordination; minutes of donor meetings	<ul style="list-style-type: none"> <li><b>M1.2:</b> Advanced donor coordination established</li> </ul>
Prepare draft legislation/regulations and discuss them with key stakeholders	IRG	JurEnerg, MDI	January 1, 2014 – May 30, 2014	Draft legislation/regulations documents (such as EE in Buildings, Metering, HOAs, ESCO/EPC, etc); minutes of meetings with key stakeholders and donors	
Monitoring, developing and promoting changes to legislation on HOAs	IRG	MDI	January 1, 2014 – July 30, 2014	Monitoring reports, comments on draft laws and sub-laws on HOAs	
Organize presentations and public discussions of the draft legislation/regulations with industry	IRG	MDI, JurEnerg	June 1, 2014 – September 30,	Presentation materials; minutes of meetings; recommendations to the draft legislation/regulations	

specialists, associations, and NGOs			2014		
Organize presentations and experts' support to the Rada Committees	IRG	JurEnerg, MDI	June 1, 2014 – September 30, 2014	Presentation materials; minutes of meetings; recommendations to the draft legislation/regulations	<ul style="list-style-type: none"> <li>• <b>M 1.3:</b> Key draft legislation/regulations developed</li> </ul>
<b>Task 1.2 Supporting Energy Efficiency Standards</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Preparation and passage of key standards; Improved capacity of GOU entities to develop and enforce new standards and norms</b>	<b>First part of energy standards prepared and approved</b>
Establish WG with MinRegion and SAEЕ on development of energy standards	IRG	ENSI, SRIBC, JurEnerg	October 15 – December 30, 2013	MinRegion/SAEE order on establishment of WG	
Review current status of implementation of National Plan for Energy Standards	IRG	ENSI, SRIBC, JurEnerg	October 30, 2013 – January 30, 2014	Agreed list of 6 standards to be developed with Project assistance	
Draft first standard on energy audit based on EU norms	IRG	ENSI, SRIBC, JurEnerg	January 1 – July 30, 2014	Draft Standard prepared and discussed with key stakeholders	
Conduct a gap analysis to compare ISO50001 requirements with Ukrainian norms/practices on energy management	IRG	ENSI, STTAs	January 1 – March 30, 2014	Gap Analysis with recommendations	
Prepare draft standard on Energy Management and will present it for consideration of SAEЕ WG	IRG	ENSI, STTAs	April 1 – September 30, 2014	Draft standard on energy management	<ul style="list-style-type: none"> <li>• <b>M 1.4:</b> Energy Audit Standard and Energy Management Standard developed</li> </ul>
<b>Task 1.3 Improving Tariff Setting</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Approval of new incentive-based tariffs; Commission ensuring quality and accessibility of communal services for end users; Best practices Cost of Service concept and methodology introduced and implemented; eliminate inappropriate customer-class cross-subsidies</b>	<b>Establish pre-requisite basis for introduction of incentive based tariffs</b>
Establish on-going coordination with SIDA/WB technical assistance project	IRG	MDI	December 15, 2013 – January 30, 2014	Coordination protocol developed and signed. Concrete coordination mechanisms are identified and agreed upon.	<ul style="list-style-type: none"> <li>• <b>M 1.5:</b> Donor coordination on tariff regulation established. (MERP Work plan activities of Task 1.3 are coordinated and if</li> </ul>

					needed adjusted).
Assist the Commission in obtaining political approval of the GOU for enforcement of a Gradual Tariffs Increase Plan	IRG	MDI, STTAs	December 15, 2013 – April 30, 2014	Support documents: assessment and cost benefit analysis	
Ongoing assistance to Commission with developing mechanisms on quality assurance in the new tariff model including identification of key quality indicators, the selection of which will be based on best international practice; accounting for foreign exchange risks in the tariff model (price of imported natural gas) etc.	IRG	MDI, STTAs	January 1 – April 30, 2014	Report on quality assurance in the new tariff model including identification of key quality indicators, accounting for foreign exchange risks in the tariff model (price of imported natural gas).	
Develop and test the service quality system that is linked with tariff setting process. The service quality monitoring system will be developed to ensure national coverage with standardized approaches for conducting data gathering and processing.	IRG	MDI, STTAs	March 1 – July 30, 2014	Quality system developed and tested in 5 pilot utilities	
Provide support in methodology development and improvement, which will include developing the methodology for regulatory assets evaluation and reflecting in utilities' accounting and taxation systems.	IRG	MDI, STTAs	February 1 – August 15, 2014	Methodology for evaluation of assets developed	<ul style="list-style-type: none"> <li>• <b>M 1.6:</b> Assets evaluation methodology developed as prerequisite for RAB</li> </ul>
Provide support in development of a methodology for incorporation of social standards of service provision into the system of state regulation of prices, which will ensure social protection of low income households and vulnerable groups.	IRG	MDI, STTAs	February 1 – August 30, 2014	Methodology on social standards developed	
Extend RAB methodology to the production and distribution areas for all communal services regulated by the Commission	IRG	MDI, STTAs	February 1 – September 30, 2014	Draft legal changes developed. Draft methodology for production and distribution areas developed.	<ul style="list-style-type: none"> <li>• <b>M 1.7:</b> RAB methodology developed for all sub-sectors</li> </ul>



Participate in the GOU WGs to provide impact analysis and economic benefit analysis related to gradual introduction of cost-recovery tariffs to residential consumers	IRG	MDI, STTAs	January 1 – April 30, 2014	Minutes of meetings, presentations, recommendations	
Evaluate risks while using stimulating methods of tariff regulation, and also in performance of cost benefit analysis	IRG	JurEnergó	January 1 – May 30, 2014	Analytical Report, proposals to the GOU	
Organize educational and advocacy campaigns with civil society organizations on cost-recovery tariffs	IRG	MDI, OPORA	February 1 – September 30, 2014	Public is well informed about the benefits of tariffs reforms: minutes of meetings, agenda of conferences, focus groups.	
<b>Task 1.4 Improving Social Safety Net Policies</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Better transparency of energy subsidies: direct/targeted/means-tested/monetized; Better protection for the poor and efficiency adoption among low-income end user</b>	<b>Assistance provided to the GOU on new approach to the social safety nets</b>
Cooperate with the Presidential Center of Economic Reforms and GOU WGs to incorporate new regulation on social protection into Annual Plans of the Presidential Program of Economic Reforms	IRG	MDI, STTAs	November 1 – December 30, 2013	Minutes of meetings, proposals for the GOU Annual Plan incorporated social protection issues	
Prepare an assessment on current status of GOU actions to incorporate MHRP recommendations on social safety nets improvements	IRG	MDI, STTAs	January 1 – January 30, 2014	Assessment Report with analysis of GOU actions to incorporate MHRP recommendations on social safety nets improvement.	
Cooperate with the WB social assistance team on coordinated strategy for improvement of social protection of low-income customers	IRG	MDI, STTAs	January 1 – February 28, 2014	Coordination strategy developed; minutes of meetings; analysis and proposals	
Work with the Ministry of Social Policy in order to get buy-in improvement of social safety nets for low-income consumers	IRG	MDI, STTAs	February 1 – April 30, 2014	Minutes of meetings; MOU and Action Plan; proposals and recommendations on improvement of social safety nets	<ul style="list-style-type: none"> <li><b>M 1.8:</b> Priority list of legislation-regulations on improvement of social assistance agreed with GOU</li> </ul>
In coordination with WB social assistance team prepare proposals for changing current system of privileges	IRG	MDI, STTAs	March 1 – August 30, 2014	Report with proposals/draft legislations on changes to the system of privileges	
In coordination with WB social assistance team	IRG	MDI, STTAs	March 1 – August	Report with proposals/draft legislations on	

prepare proposals for improving current system of subsidies			30, 2014	improvement of subsidies	
In coordination with NCCSMR, develop and prepare social and economic justification of the norms of consumption of communal services to support introduction of cost-recovery tariffs	IRG	MDI, STTAs	April 1 – September 30, 2014	Report on social and economic justification of the norms of consumption of communal services.	
Prepare proposals to the Ministry of Social Policy on institutionalizing MHRP experience in pilot cities on financing EE measures in low-income families	IRG	MDI, STTAs	May 1 – September 30, 2014	Report with proposals/ draft regulations for stimulating EE in low-income families	
Engage civil society organizations, such as OPORA and MAMA 86, to facilitate the consideration and movement of legislation/regulation through the Rada	IRG	MDI, OPORA, MAMA 86	March 1 – September 30, 2014	Support organized for new social assistance system: presentations, round tables, focus groups	<ul style="list-style-type: none"> <li>• <b>M 1.9:</b> New approach for social protection of low-income consumers agreed with stakeholders</li> </ul>
<b>Task 1.5 Regulatory Information System Development</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Established and operational Regulatory Information Management System by Year 3</b>	<b>System functionalities defined and procurement documents prepared</b>
Establish WG with the Commission on RIMS	IRG	MDI, STTAs	December 15, 2013 – January 30, 2014	WG and cooperation protocol established	
Review system requirements developed under MHRP: identifying key functionalities; system framework; a list of software or modules that shall be part of the system and their purpose and main functions	IRG	MDI, STTAs	January 1 – March 30, 2014	Key system requirements agreed	
Develop detailed requirements for each module; and detailed requirements for hardware	IRG	MDI, STTAs	January 1 – April 30, 2014	Detailed requirements developed and agreed	<ul style="list-style-type: none"> <li>• <b>M1.10:</b> System functionalities developed and agreed</li> </ul>
Assist the Commission in preparing specifications and tender requirements for software development	IRG	MDI, STTAs	April 30, August 30, 2014	Specifications and tender requirements prepared	
Provide technical assistance for analysis of available options and technical solutions, developing a requirements list, and tendering	IRG	MDI, STTAs	April 30 – September 30, 2014	Technical analysis conducted. Tender documents prepared	<ul style="list-style-type: none"> <li>• <b>M 1.11:</b> Tender documents prepared for both software and</li> </ul>

					hardware
<b>Task 1.6 Developing Utility Benchmarking</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Validation of key performance indicators; Commission able to objectively inform consumers of each utilities' performance to ensure transparency and educate consumers; Commission be able to establish industry best average for municipal utilities and will introduce incentives/penalties</b>	<b>Basis for uniform regulatory accounting and reporting developed</b>
Provide assistance and capacity building support to the Commission to develop standardized accounting and reporting procedures and forms and facilitate their use by all utilities	IRG	MDI, STTAs	January 1 – March 30, 2014	Documents with standardized accounting and reporting procedures and forms	
Assist the Commission in training seminars for nine Regional Offices and utilities to build capacity for applying new Regulatory Accounting Principles	IRG	MDI, STTAs	January 1 – March 30, 2014	Training materials, presentations, list of participants, training organized and presented for utilities	<ul style="list-style-type: none"> <li>• <b>M 1.12:</b> New regulatory accounting principles taught to utilities</li> </ul>
Assist 10 pilot utilities in applying new accounting rules	IRG	MDI, STTAs	January 1 – May 30, 2014	Memos, notes, recommendations of consultants	<ul style="list-style-type: none"> <li>• <b>M 1.13:</b> 10 utilities trained to properly implement accounting rules</li> </ul>
Develop a methodology for conducting benchmarking for identification of quality of utility supply services that are provided by DH utilities and associated penalties and bonuses system based on the quality provided.	IRG	MDI, STTAs	February 1 – June 30, 2014	Recommendations on the choice of methods (combination of methods) and parameters that have to be used for conducting benchmarking.	
Training seminars for the Commission and its nine Regional Offices to build capacity of utilities for reporting benchmarking indicators and related data	IRG	MDI, STTAs	March 1 – July 30, 2014	Training materials, presentations, list of participants, training organized and presented for utilities	
Conduct calculations for defining the quality of heat services using the data, which will be provided by NCCSMR or pilot utilities.	IRG	MDI, STTAs	March 1 – July 30, 2014	Report on lessons learnt from performing calculations for defining the quality of services using the data, which will be provided by the national regulator and pilot utilities.	

Prepare report on the proposed system of service quality benchmarking and conduct fully inclusive workshops for NCCSMR staff on public rulemaking procedures for NCCSMR, utility companies, and customers to educate all stakeholders about customer service contracts and to finalize the language and clauses of the contracts.	IRG	MDI, STTAs	March 1 – August 30, 2014	Report on system of benchmarking and its presentation to stakeholders	
Assisting the Commission in monitoring and data collection from utilities to ensure compliance of utilities with new regulatory principles and accurate data collection and reporting	IRG	MDI, STTAs	March 1 – September 30, 2014	Monitoring reports, analysis of data, recommendations	<ul style="list-style-type: none"> <li>• <b>M 1.14:</b> New regulatory benchmarking system developed</li> </ul>
<b>Task 1.7 Capacity Building</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>High regulatory standards of the Commission developed; 'case-study' curriculum developed, as well as Commission training of utility staffs; support documents to be used by MinRegion for supervision of IFI investments in CE/EE projects</b>	<b>Commission improved internal capacity and established international contacts; MinRegion improved ability to manage international projects</b>
Assess Training needs of the Commission Head Quarter and 9 regional offices	IRG	MDI, STTAs	November 1, 2013 – January 30, 2014	Memo on training needs	
Agree with the Commission on the areas of capacity building for regional offices	IRG	MDI, STTAs	January 1 – February 20, 2014	List of areas for capacity building of the Commission and its regional offices	<ul style="list-style-type: none"> <li>• <b>M 1.15:</b> Basic training needs for the Commission determined (Based on the outcome of this the training curriculum will be developed)</li> </ul>
Prepare training curriculum for capacity building seminars to the Commission and its regional offices	IRG	MDI, STTAs	February 20 – April 30, 2014	Training curriculum prepared	
Conduct 2 training seminars for regional offices on key functions; organization support; transparency; consumer protection; and assuring quality of municipal services	IRG	MDI, STTAs	May 1 – July 30, 2014	Training materials; presentations, and recommendations	<ul style="list-style-type: none"> <li>• <b>M 1.16:</b> Capacity of regional offices improved</li> </ul>
Assess Training needs of the MinRegion and	IRG	JurEnergo,	November 1, 2013	Memo on training needs	

Project Implementation Units on capacity building for management of international energy efficiency projects financed by IFIs		STTAs	– January 30, 2014		
Agree with the MinRegion on the areas of capacity building for management of international energy efficiency projects	IRG	JurEnerg, STTAs	January 1 – February 20, 2014	List of areas for capacity building of the MinRegion and PIUs	<ul style="list-style-type: none"> <li><b>M 1.17:</b> Basic training needs for the MinRegion determined (Based on the outcome of this the training curriculum will be developed)</li> </ul>
Prepare training curriculum for capacity building seminars of the MinRegion and PIUs	IRG	JurEnerg, STTAs	February 20 – April 30, 2014	Training curriculum prepared	
Conduct 2 training seminars for MinRegion representatives on procedures of international procurement, monitoring etc	IRG	JurEnerg	May 1 – July 30, 2014	Training materials; presentations, and recommendations	<ul style="list-style-type: none"> <li><b>M 1.18:</b> Capacity of MinRegion improved</li> </ul>
Provide assistance to employees of MinRegion and Project Implementation Units on issues of international procurement, procedures of preparation and approval of international projects, control of their implementation	IRG	JurEnerg, STTAs	May 1 – September 30, 2014	Memo with recommendations	
Assist the Commission to participate as an associate member in international associations of regulators (ERRA – European dimension and NARUC world dimension)	IRG	ERRA, NARUC	May 1 – September 30, 2014	Contacts established; membership ensured; support to participation provided	<ul style="list-style-type: none"> <li><b>M 1.19:</b> Commission integrated in international cooperation with NARUC/ERRA</li> </ul>

## Activity 2: Promote Investment In Clean Energy Technologies And Applications

**Expected results:** Local governments' capacity to develop and implement low emission development plans enhanced; Municipal managers access financial resources to implement clean energy and energy savings projects; Municipal capacity to develop and implement clean energy investment project is improved; USAID clean energy funding is leveraged at least 1:20 by other donors, government entities and private investors; GHG emissions decrease (per year and projected from baseline) as a result of USG-assisted clean energy projects

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 2.1 Developing cooperation strategies	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Selection methodology developed and approved by USAID/IFIs; MOUs signed with eight 'quick start' municipalities to participate in MERP; MOUs signed with seven additional municipalities to	Selection of cities conducted. IFIs buy-in to the selection process.

				<b>participate in MERP; IFIs concur that they are ready to invest in projects in those cities</b>	
Conduct assessment of all current IFI programs/investments in municipalities and municipal utilities	IRG	MDI	October 15 – December 30, 2013	Assessment report on IFIs programs	
Evaluate performance of MHR Project municipalities with respect to implementation of their MEPs	IRG	RTCs	October 20, 2013 – January 30, 2014	Assessment report on MHRP cities	
Review and update MHR Project city selection criteria/strategy	IRG	EnEffect, AUC	November 1, 2013 – January 15, 2014	Updated selection criteria/strategy;	
Coordinate with IFIs selection strategy to ensure their buy-in to the selection process and willingness to invest	IRG	EnEffect	November 1, 2013 – January 20, 2014	Concurrence of IFIs and concurrence of USAID	<ul style="list-style-type: none"> <li>• <b>M 2.1:</b> Coordination strategy for cities selection developed</li> </ul>
Conduct selection of the 'quick start' group of six cities	IRG	EnEffect, AUC	January 1 – 30, 2014	Selection memo submitted to USAID	
Prepare MOUs with the selected cities with clear definitions of roles and responsibilities	IRG	EnEffect	February 1 – February 15, 2014	MOUs prepared and signed	<ul style="list-style-type: none"> <li>• <b>M 2.2:</b> Cities and IFIs engaged in cooperation</li> </ul>
<b>Task 2.2 Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Assist cities in development of 15 SEAPs and energy management systems; Leverage project funds by 1:20 ratio; attract IFIs financing (at least USD 200 million); building additional Ukrainian expertise and experience in energy auditing, SEAP assistance, and related CE/EE skills; Build sustainable Ukrainian financial knowledge and expertise through practical training on preparation of pre-feasibility studies and business plans.</b>	<b>Municipalities trained on SEAPs. SEAPs developed and implementation started. Capacity built on preparation of investments proposals</b>
Conduct needs assessment and consultations with the Covenant of Mayors and European Commission on SEAPs in Ukraine	IRG	EnEffect	January 1 – February 20, 2014	Report on needs assessment. Cooperation protocol established.	<ul style="list-style-type: none"> <li>• <b>M 2.3:</b> SEAP needs in Ukraine identified</li> </ul>
Update SEAP methodology to Ukrainian conditions (based on MHRP MEP MODEL methodology)	IRG	EnEffect	January 1 – February 20, 2014	Ukrainian SEAP manual developed	

Organize introduction seminar on SEAPs (MODEL) for first group of selected cities	IRG	RTCs, EnEffect	January 15 – February 28, 2014	Agenda, seminar materials, list of participants	
Assist cities in establishing City Advisory Committees and expert WGs for SEAPs development	IRG	RTCs, EnEffect	January 15 – March 30, 2014	Recommendations on Advisory Committee setup, minutes of meetings	
Harmonize the input data to the “MODEL” methodology, provide Ukraine-specific data from the TIMES-Ukraine national planning model	IRG	EnEffect, GWH	January 15 – April 30, 2014	Agreed list of assumptions for modeling at the local and national levels	
Transfer the Municipal Energy Information System to the cities and will train city staffs on its use	IRG	EnEffect, RTCs	January 15 – April 30, 2014	MEIS transferred to the cities and operational (including GHG emission reduction).	
Prepare recommendations and provide assistance to selected cities with improving energy management and monitoring systems, including data collection and analysis, and methodologies for CO2 emission calculation.	IRG	RTCs, EnEffect MDI	January 15 – May 30, 2014	Recommendations on improving energy management and monitoring systems, including data collection and analysis, and methodologies for CO2 emission calculation provided to selected cities	
Conduct energy audits in the cities to evaluate current baselines and estimate potential for EE/CE/GHG emission reduction projects for key municipal service areas	IRG	OptimEnergo, Arnika, RTCs	January 15 – August 30, 2014	Energy audits conducted. EA reports prepared. Baselines and energy efficiency opportunities defined	<ul style="list-style-type: none"> <li>• <b>M 2.4:</b> Energy audits conducted</li> </ul>
Compile a comprehensive database for each participating city, including characterizations of multi-dwelling and public buildings, their historical energy use, energy producers and their transmission systems	IRG	RTCs, EnEffect	April 15 – August 30, 2014	Data included in MEIS. Energy balances prepared.	
Prepare SEAPs and present to key stakeholders	IRG	RTCs, EnEffect	March 1 – September 30, 2014	SEAPs documents and attachments (i.e. investment programs)	<ul style="list-style-type: none"> <li>• <b>M 2.5:</b> SEAPs developed</li> </ul>
Engage local civil society organizations in SEAPs review and discussion	IRG	OPORA	March 1 – September 30, 2014	Minutes of public meetings and discussions	
Provide methodological support to 5 Condominium Resource Centers established	IRG	MDI	March 15 – September 30,	5 Condominium Resource Centers converted into	



with USAID assistance to transfer those Condominium Resource Centers into Clean Energy Advisory Centers and extend their consultancy focus.			2014	Clean Energy Resource Centers	
Assist in approval of SEAPs by the city councils	IRG	RTCs	Year 2	Presentation materials	<ul style="list-style-type: none"> <li>SEAPs approved for first group of cities</li> </ul>
Cooperate with IFIs identifying investments that are already underway or in the pipeline	IRG	MDI	January 15 – March 30, 2014	Memo on IFIs priorities in each of the partner cities	
Provide assistance and capacity building to PIUs on international procurement	IRG	OptimEnergo, ARNIKA	March 1 – September 30, 2014	International procurement guidelines, capacity building materials	
Review, update and expand Project Proposal Manual, Solicitation Process and Documents necessary for attraction of investments from IFIs for CE/EE/GHG emissions reduction projects.	IRG	MDI	June 30 – September 30, 2014	Project Proposal Manual, Solicitation Process and Documents necessary for attraction of investments from IFIs for CE/EE/GHG emissions reduction projects prepared	
Train cities on preparation of bankable investment proposals	IRG	MDI	June 30 – September 30, 2014	Training materials, samples of investment proposals	
<b>Task 2.3 Introduction of Energy Management Systems</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Energy management systems established in 15 partner cities based on ISO 50001 (5 started certification); Energy management and monitoring approach generate 5% savings</b>	<b>Basis for energy management system prepared in first group of cities</b>
Introductory training to partner cities on the energy management cycle and ISO50001 requirements	IRG	OptimEnergo, Arnika	January 15 – February 15, 2014	Training materials. Memo on ISO 50001 requirements and its use by the cities	
Agree with the city management on development of energy management system	IRG	OptimEnergo, Arnika	February 1 – March 30	Advisory Committee established. Energy management functions approved/budgeted by the city councils.	
Assist cities in identifying goals and preparing an energy management policy	IRG	OptimEnergo, Arnika	January 15 – April 30, 2014	Energy Management Policies prepared	
Assist partner cities in preparing energy management documentation, procedures and tools (including IT tools) according to ISO 50001 requirements	IRG	OptimEnergo, Arnika	March 1 – September 30, 2014	Energy management documentation prepared: procedures and tools in accordance with ISO 50001 requirements	<ul style="list-style-type: none"> <li><b>M 2.6:</b> Energy Management procedures prepared</li> </ul>

<b>Task 2.4 Development Credit Authority Loan Guarantee</b>	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Leverage local bank/lender financing; train at least five banks on the loan guarantee mechanism and at least two banks will participate in the program; Build sustainable Ukrainian financial knowledge and expertise through practical training on preparation of pre-feasibility studies and business plans	Capacity built for local banks on potential DCAs
Conduct assessments of local banks and on-lending programs to identify local partners willing to use DCA Loan Guarantee	IRG	MDI	December 1, 2013 – February 20, 2014	Assessment report presented to USAID	
Review Catalogs of Investment of CE/EE Projects (developed under MHRP) with description of potential borrowers' legal and financial status and submit them to the selected banks	IRG	MDI, RTCs	January 1 – March 30, 2014	Catalogs of CE/EE projects with description of borrowers submitted to the selected banks	
Define assistance needs with Bank Lviv and agree on areas of cooperation	IRG	MDI	January 15 – March 30, 2014	Report with assistance needs	
Conduct training seminar for Bank Lviv to support use of DCA guarantee in the municipal sector for on CE/EE projects	IRG	MDI	April 1 – June 30, 2014	Training materials, descriptions of CE/EE projects	<ul style="list-style-type: none"> <li>• <b>M 2.7:</b> Bank Lviv is well informed about CE/EE projects and borrowers risks</li> </ul>
In cooperation with USAID, the Project experts will assist in conducting risk assessment and financial/ creditworthiness analyses of potential borrowers and banks	IRG	MDI, E&Y	May 1 – September 30, 2014	Risk assessment reports and creditworthiness analysis	
Conduct training seminar for new candidate banks (pre-selected for DCA) on CE/EE projects and utility operations	IRG	MDI	July 1 – September 30, 2014	Training materials, descriptions of CE/EE projects	<ul style="list-style-type: none"> <li>• <b>M 2.8:</b> Banks have better understanding of CE/EE projects and benefits of DCA</li> </ul>
<b>Task 2.5 Support Mechanisms that Mobilize Private Sector Investment</b>	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Draft law on ESCO/EPC approved by end of Year 1; Two EPC contracts initiated with support of IFIs or private investors; three concepts on CE/EE projects developed and two procurements initiated; Three public participation discussions organized on PPPs	Basis for private sector participation in CE/EE established

Assist the GOU and Rada in approving a draft law on ESCO/EPC to reduce barriers to private investment in municipal CE/EE projects.	IRG	JurEnergio, Antika	December 1, 2013 – March 30, 2014	Analytical documents, advocacy and legal expertise to the GOU and Rada Committees	<ul style="list-style-type: none"> <li><b>M 2.9:</b> ESCO/EPC Legal basis improved</li> </ul>
Analyze legislative opportunities (as for today or if the legislation is adopted) for implementation of energy efficient projects ESCO, EPC and other PPP forms)	IRG	JurEnergio	December 1, 2013 – March 30, 2014	Analytical documents	
Improve provisions of PPP law, preparation of legal and regulatory acts of local governments, draft agreements, instructions and methodology in this field	IRG	JurEnergio	April 1 – June 30, 2014	Draft of legislation	<ul style="list-style-type: none"> <li><b>M 2.10:</b> PPP Legal basis improved</li> </ul>
Working with IFIs to determine loan requirements and working with international ESCOs to gauge their interest and requirements in engaging Ukrainian ESCOs	IRG	Consultants	April 1 – June 30, 2014	Memo on IFIs loan requirements for ESCOs. Memo on international ESCOs interest and equity investment opportunities	
Develop individual financial models for the cities and conduct risk assessment to propose risk sharing strategies between public and private partners	IRG	Consultants	May 1 – August 30, 2014	Financial models and risks assessment documents	
Provide comprehensive training to the municipalities on PPP tools to build municipality institutional capacity and support private sector financing in the cities	IRG	Consultants	June 1 – September 30, 2014	Training materials on PPPs options	
Assist cities in identifying CE projects, listed in the SEAPs, which could potentially attract private sector participants to invest in PPP	IRG	RTCs	August 30 – September 30, 2014	List of CE/EE projects for PPP opportunities	<ul style="list-style-type: none"> <li><b>M 2.11:</b> PPP opportunities identified</li> </ul>
<b>Task 2.6 Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Public info campaigns in all 15 selected municipalities; Public and civil society support to CE/EE measures in the cities; Behavior change that supports energy conservation</b>	<b>Baseline of public support defined. Public information campaign started for behavior change.</b>
Establish a Working Group on Communication Issues to design an information strategy for municipalities and develop a public outreach plan on the national level	IRG	MDI	November 15, 2013 – January 15, 2014	Working group established, meetings conducted	

Develop Information Strategy for municipalities and targeted National Outreach plan	IRG	MDI	January 15 – March 15, 2014	Targeted draft strategy and plan developed	<ul style="list-style-type: none"> <li><b>M 2.12:</b> Information Strategy and local Information Plans developed</li> </ul>
Conduct focus groups to find local “stars” or prominent community activists who will help mobilize civil society support on Clean Energy/Energy Efficiency issues, particularly practical behavior change steps	IRG	MDI	February 1 – April 30, 2014	Focus groups documents, minutes of meetings, questionnaires	<ul style="list-style-type: none"> <li><b>M 2.13:</b> Focus groups conducted to define baseline knowledge on CE/EE in partner cities</li> </ul>
Support City Council Press Offices by offering training workshops and seminars plus one-on-one information sessions with the project’s proven outreach staff	IRG	MDI	February 1 – June 30, 2014	Training materials and presentations	
Work with advertising agencies to develop design of PSAs and outreach materials	IRG		January 1 – March 30	Cooperation established, materials under development	
Provide PSAs materials to the Regional Consulting Centers and Regional Offices of the Association of Ukrainian Cities and Communities in order to target outreach	IRG	MDI	April 1- April 30, 2014	PSAs materials	
Targeted public outreach events for local NGOs, interested associations and the general public will include municipal Energy Efficiency Day, contests on best practices or conservation tips	IRG	MDI, OPORA	April 1 – July 30, 2014	Agenda and list of participants for public events, round tables, contests	
For the media, hold expert energy briefings followed by trainings on the range of story options, from finance to lifestyle	IRG	MDI	May 1 – June 30, 2014	Training materials, briefing materials, press releases	
Targeted outreach to low-income residents and vulnerable groups, in support of Ukraine’s social safety net	IRG	OPORA, MDI	June 1 – September 30, 2014	Targeted outreach materials on social protection and EE in low-income families	

### Activity 3: Capacity Building and Dissemination

**Expected results:** Energy audits, Municipal Energy Plans, and energy management and monitoring are national norms; GOU or local organization has the ability to further develop EE technical standards to meet international standards; Cooperation between municipal governments and the civil society sector is strengthened; Local capacity to implement CE initiatives through direct donor awards is improved; GOU systems to implement CE initiatives through G2G are improved

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
<b>Task 3.1 Preparing a local non-governmental organization for a direct award from USAID</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Five local NGOs are trained and their operations are improved; Two local NGOs will be eligible to receive direct awards from USAID by the end of Year 2</b>	<b>5 NGOs selected for capacity building. Training provided.</b>
In consultation with USAID, develop selection criteria for local organizations to participate in capacity building processes for certification eligibility	IRG	STTAs	January 1 – January 30, 2014	Selection criteria developed and agreed with USAID	
Identify candidates for certification eligibility media outreach on the project, networking, and targeted communications	IRG	STTAs	January 1 – February 15, 2014	Minutes of meetings, outreach materials	
Organize and present a kickoff meeting for numerous local NGOs to provide information about this opportunity and will issue calls for applications	IRG	E&Y	February 1 – 15, 2014	Kick-off meeting materials	
Analyze applications and conduct selection process	IRG	E&Y	February 1 – February 28, 2014	5 NGOs selected for capacity building	<ul style="list-style-type: none"> <li><b>M 3.1:</b> Selection of 5 NGOs conducted</li> </ul>
Conduct Organizational Capacity Assessment (OCA) that will provide a baseline from which their performance improvement can be measured	IRG	E&Y	March 1 – April 30, 2014 days	OCA scorecard	<ul style="list-style-type: none"> <li><b>M 3.2:</b> OCA conducted. Training needs identified.</li> </ul>
Develop Capacity Building Plan for each of selected NGOs	IRG	STTAs	April 1 – May 30, 2014	Capacity Building Plans developed	
Organize trainings on organizational capacity building (M&E, HR management, fundraising, financial management, strategic planning)	IRG	STTAs	June 1- June 30, 2014	Training materials and documents on M&E, HR, strategic planning, fundraising	
Organize technical skills and capacity improvement (CE, EE, LEDS, strengthen civil society and local governance)	IRG	STTAs	July 1 – August 30, 2014	Training materials on technical areas (CE/EE/LEDS), civil society and local governance	
Organize trainings on internal policies and procedures to meet USAID rules and regulations	IRG	STTAs	June 1 – September 30, 2014	Training materials and samples of internal policies and USAID rules/regulations	<ul style="list-style-type: none"> <li><b>M 3.3:</b> Comprehensive training provided according to Capacity</li> </ul>

					Building Plans
<b>Task 3.2 Facilitating Government-to-Government Assistance: preparing GOU institution(s) or local government(s) for a direct award from USAID</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Three municipalities or one GOU Agency are meeting USAID criteria and will be eligible for a direct award from USAID (subject to USAID guidance on G2G)</b>	<b>GOU Agencies selected. Capacity Building Plans prepared.</b>
Coordinate with USAID on feasibility of G2G including conducting necessary assessments as will be directed by COR	IRG	STTAs	December 15, 2013 – January 30, 2014	USAID assessment/guidance on feasibility of G2G	<ul style="list-style-type: none"> <li><b>M 3.4:</b> G2G feasibility defined; all following activities will be subject to revision based on the assessment</li> </ul>
Based on feasibility assessment prepare procedures for G2G implementation	IRG	Legal and budgetary experts (TBD)	February 1 – March 30, 2014	Draft procedures for G2G mechanism	
Conduct transparent selection process of municipalities and or the GOU Agencies (advertisement/ applications/review/selection)	IRG	STTAs	April 1 – April 30, 2014	USAID approve selection criteria and process. Selection process documents.	
Prepare the short-list of pre-selected municipalities and/or GOU Agencies for participation in the capacity building exercise. Organize kick-off meeting.	IRG	STTAs	May 1 – May 30, 2014	Short list established and approved by USAID. Materials of kick-off meeting.	<ul style="list-style-type: none"> <li><b>M 3.5:</b> Selection of GOU/local govt. organizations finalized</li> </ul>
Conduct OCA to benchmark current status and focus the development of organizational capacity	IRG	STTAs	June 1 – July 30, 2014	OCA scorecard to evaluate progress and growth of capacity	
Develop Capacity Building Plan based on training needs identified in OCA	IRG	STTAs	August 1 – September 30, 2014	Capacity Building Plan (s) developed	<ul style="list-style-type: none"> <li><b>M 3.6:</b> Capacity building plan developed</li> </ul>

#### Activity 4: Enhance Capacity for the GOU in Low Emission Development Strategies (EC LEDS)

**Expected results: LEDS/REDS milestones and benchmarks met. The GOU's and other public and private stakeholders' capacity to develop and implement low emission development strategies is increased**

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
<b>Task 4.1 Strengthening institutional capacity in planning LEDS-REDS</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>National Inventory System enhanced according to international best practices and deployed;</b>	<b>LEDS/REDS Work Plan developed and coordination</b>































				<b>Incorporation of LEDS-REDS into sectorial and local government strategies/action plans; Several GOU agencies able to use TIMES-MARKAL to develop GHG emission mitigation options; Institutional capacity of governments on LEDS/REDS improved – intra-government coordination established</b>	<b>established. National Inventory System enhanced. LEDS/REDS strategies developed; modeling tools prepared and used by the GOU</b>
Assess all LEDS/REDS relevant strategies and policies including but not limited to National Action Plan on EE though 2020 and others with the view to enhance it	IRG	JurEnergio	October 1 – November 30, 2013	List of all LEDS/REDS policies and strategies made and introductory meetings with relevant institutions made	
Identify potential stakeholders and their LEDS-related needs and priorities including GOU agencies and international donor	IRG	JurEnergio	November 1 – December 30, 2013	List of stakeholders established. Their priorities defined.	
Establish cooperation with Ministry of Economy and USAID to define implementation priorities of EC LEDS MOU	IRG	JurEnergio	November 1 – December 30, 2013	List of priorities for implementation of EC LEDS MOU identified	
Develop LEDS/REDS Implementation Work Plan together with Ministry of Economy and other relevant stakeholders	IRG	JurEnergio	November 1 – December 30, 2013	MoU Implementation Work Plan drafted and accepted by Ministry of Economy	<ul style="list-style-type: none"> <li>• <b>M 4.1:</b> LEDS/REDS Work Plan drafted and accepted by Ministry of Economy (all further activities are subject to inclusion (or revision) in the LEDS/REDS WP with MinEconomy)</li> </ul>
Incorporate LEDS-REDS concept into GOU Annual 2014 Plan through the Presidential Center of Economic Reforms (champion of reforms)	IRG	IIEEC, JurEnergio	November 1 – December 30, 2013	GOU Annual 2014 Plan incorporates LEDS/REDS concept and/or elements  On-going cooperation on LEDS-REDS concept established with Presidential Center of Economic Reforms	
Establish working inter-agency GOU coordination on LEDS/REDS and sub-groups at the department head level to facilitate deeper understanding and collaboration on potential sectorial LEDS strategies and action plans development	IRG	IIEEC, JurEnergio	December 1, 2013 – January 30, 2014	List of sub-groups; agenda; minutes of meetings; case-studies from other countries presented	<ul style="list-style-type: none"> <li>• <b>M 4.2:</b> LEDS/REDS inter-agency GOU coordination established</li> </ul>



Identify all relevant state bodies and scientific institutions together with from National Center of GHG Inventories and State Environmental Investment Agency that are involved and/or ought to be involved in data collection, management, analysis, data storage and reporting of GHG emissions and adsorption	IRG	IEEC	December 1, 2013 – January 30, 2014	List of state bodies and scientific institutions involved in GHG National Inventory System as per 5 <sup>th</sup> National Communication of Ukraine	
Conduct gap analysis of the National Inventory System in according to the latest IPCC Best Practices Guidelines and recent UNFCCC requirements	IRG	IEEC	December 1, 2013 – February 28, 2014	Gap Analysis Report as per IPCC Best Practices Guidelines and Tier Level Reporting Requirements	
Develop and implement a National Inventory System Enhancement Plan	IRG	IEEC	December 1, 2013 – June 30, 2014	Draft National Inventory System Enhancement Plan; minutes of stakeholders meetings	<ul style="list-style-type: none"> <li><b>M 4.3:</b> National Inventory System enhanced.</li> </ul>
Build capacity of GOU working sub-groups on LEDS/REDS	IRG	CCS, IEEC	March 1 – July 30, 2014	Training seminars on LEDS/REDS process	
Strengthen institutional capacity at the Ministerial level (Ministry of Fuel and Energy, Ministry of Economy) to apply Ukraine-specific analytical tools TIMES-Ukraine for LEDS-REDS purposes	IRG	GWH, STTAs, Institute of Economics	June 1 – September 30, 2014	Development of analytical tools based on specific requests from Ministries that will allow users to examine model run results; training materials; templates and manuals will be provided on how to use of the analytical tools TIMES-Ukraine	<ul style="list-style-type: none"> <li><b>M 4.4:</b> LEDS/REDS analytical tools applied by two GOU agencies</li> </ul>
Assist Ministry of Economy to apply UNIDO Green Industry Initiatives in emission sensitive sectors (e.g., metallurgical, cement, chemicals)	IRG	CCS, IEEC, JurEnerg	June 1 – September 30, 2014	Specific examples of LEDS/REDS planning developed and presented as a part of Resource Efficient and Low Carbon Industrial Production Center activity to facilitate sectoral strategy development, draft regulations on industrial efficiency drafted	
Assist the Ministry of Fuel and Energy and other relevant bodies to fulfill timely the obligations under EU Energy Community Treaty requirements regarding implementation of the EU Directive 2001/80/EC on reduction of emissions by large combustion plants (LCP)	IRG	CCS, IEEC, JurEnerg	June 1 – September 30, 2014	Working group established on ad hoc basis to set up on-going coordination between relevant state bodies and key private sector players. Action Plan by 2018 is drafted and introduced on inter-ministerial level  LEDS/REDS component is analyzed and reflected	<ul style="list-style-type: none"> <li><b>M 4.5:</b> Road Map developed and LCP Directive focal point appointed</li> </ul>
Conduct a targeted public awareness campaign together with other donors and private sector participants to ensure buy-in and civil society support of LEDS/REDS	IRG	OPORA	March 1 – September 30, 2014	Information materials, minutes of public meetings	















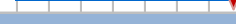













<b>Task 4.2 Implementing LEDS-REDS through support in developing and introducing clean energy technologies and energy services</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>LEDS/REDS legislation developed and approved (score card: at least five legal/regulatory acts); At least five CE/EE projects developed, financed, and beginning implementation with a total value of \$10M</b>	<b>LEDS/REDS legislation improved. CE/EE project identified.</b>
Identify and plan support GOU working groups and inter-ministerial committees for LEDS/REDS pieces of legislation and regulatory documents drafting	IRG	STTAs, JurEnerg	January 1 – March 30, 2014	List of all relevant WG and IMC developed ,on-going working relations established	<ul style="list-style-type: none"> <li><b>M 4.6:</b> Build up working relations with comprehensive and overarching approach</li> </ul>
Advise and support executive state bodies/agencies and policy making officials on inclusion of climate change concept and clean energy into their leadership agendas, and process and policy options	IRG	CCS, STTAs	February 1 – September 30, 2014	Assessments, analysis, agenda, minutes of meetings. On-going relations established	
Perform GAP-analysis of the European and Ukrainian legislation on issues of atmosphere emissions, provide recommendations on introducing the provisions of European legislation to Ukrainian legislation	IRG	JurEnerg	February 1 – March 30, 2014	Analytical report with recommendation for GOU	
Support GOU working groups for relevant legislation drafting for LEDS	IRG	STTAs, JurEnerg	February 1 – April 30, 2014	Analytical documents, draft regulation and legislation	
Provide support to the NERC in enhancement of Green Tariffs methodology and regulation to ensure competitive and fair market conditions for CE investments	IRG	MDI, JurEnerg. STTAs	March 1 – August 30, 2014	Green Tariffs methodology improved	
Provide assistance to relevant bodies and institutions to enhance the Ministry of Finance and other ministries to prepare budgetary programs with aims to streamline allocation of collected CO2 environmental taxes into CE/EE projects	IRG	IBSER	May 1 – August 30, 2014	Budgetary programs developed for better M&E of CE/EE projects	<ul style="list-style-type: none"> <li><b>M 4.7:</b> Budgetary programs prepared to allocate CO2 taxes for support implementation of LEDS/REDS.</li> </ul>
Prepare policies and programs for LEDS-REDS project specifications/guidelines and financing mechanisms	IRG	IEEC	Year 2	Specifications and guidance for financing mechanisms	
Assist cities and utilities in preparing CE investment projects	IRG	IEEC	Year 2	CE/EE project identified	

<b>Task 4.3 Developing a uniform database on LEDS-REDS and exchanging experiences and best practices with other countries participating in EC-LEDS</b>	<b>IRG</b>	<b>Consultants, Partners</b>	<b>Quarters 1, 2, 3, 4</b>	<b>Uniform database established in accordance with international best practices; Ukraine integrated into international cooperation on LEDS-REDS</b>	<b>Develop a basis for uniform database.</b>
Establish working sub-group on LEDS/REDS database development	IRG	STTAs, IEEC	January 1 – March 30, 2014	Working group established	
Design the web database and develop an SOW for the interactive website	IRG	STTAs, IEEC	April 1 – July 30, 2014	Design documents and SOW	<ul style="list-style-type: none"> <li>• <b>M 4.8:</b> Key design elements developed for data base</li> </ul>

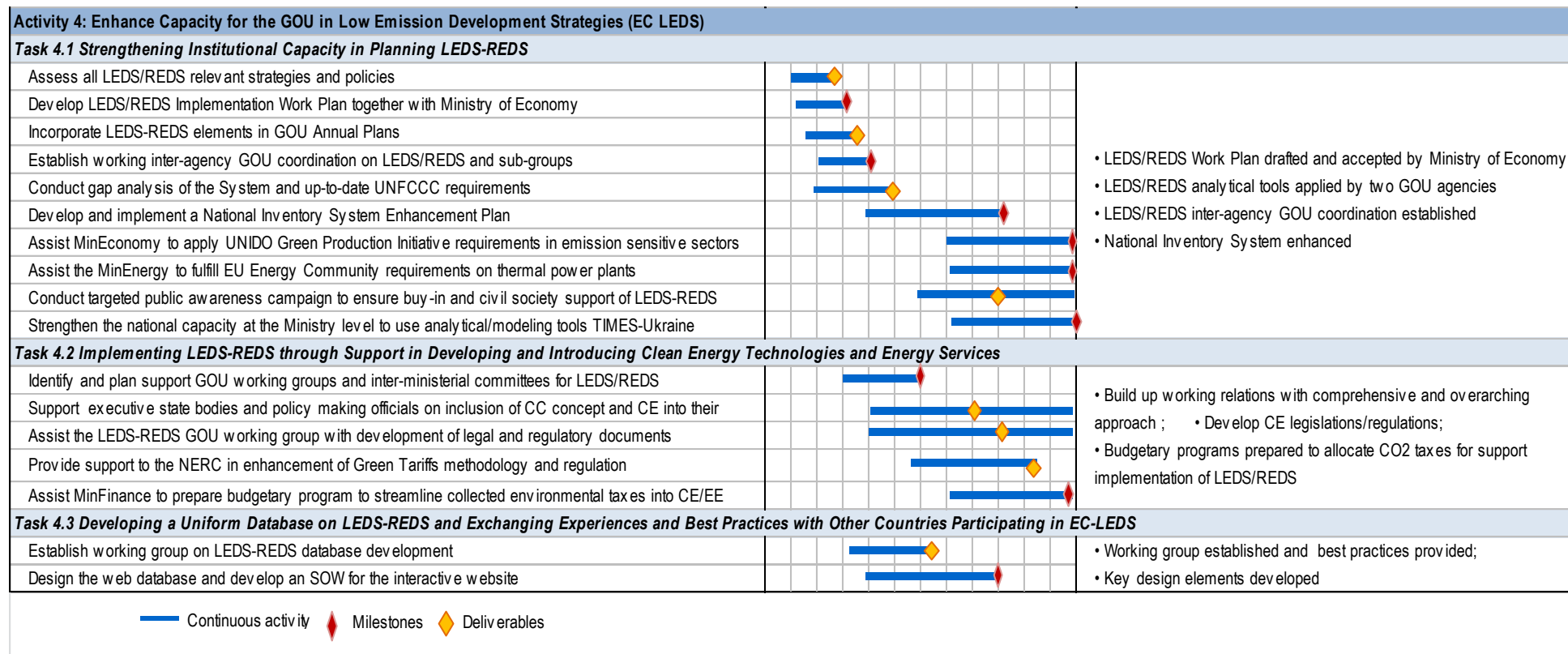
Activities and Subtasks	Months												Expected Results for Year 1
	1	2	3	4	5	6	7	8	9	10	11	12	
<b>Inception and Mobilization Phase</b>													
Mobilization of project team: preparation of job responsibilities and agreements													
Selection of the project office. Preparation and signature of lease agreement													
Meetings with the partners and agreement on the terms of cooperation and work schedule													
Updated work plan for Year 1 and PMP prepared and submitted to USAID COR													
Project kick-off conference organized with the GOU representatives, cities, energy professionals, NGOs, and													
Project registration in MinEconomy													• Project fully operation
<b>Activity 1: Improve Clean Energy Regulatory and Legislative Enabling Environment</b>													
<b>Task 1.1 Developing Enabling Legislative and Policy Environment</b>													
Meet Presidential Ctr Econ Reforms to discuss high level GOU WG on municipal energy reform													
Assess current status of CE/EE legislation; include LEDS in GOU Annual Plans for legislation development													• Key Priority list of CE/EE legislation/ regulations established;
Establish and support mid-level experts group on development/improvement of specific bills													• Advanced donor coordination established
Prepare draft legislation/regulations and discuss them with key stakeholders													• Preparation of 2 key draft laws and advanced donor coordination in Year 1
Organize presentations and experts' support to the Rada Committees, ensure public participation													
Upgrade donor coordination platform: new e-portal and secretariat													
<b>Task 1.2 Supporting Energy Efficiency Standards</b>													
Establish WG with MinRegion and SAEE on development of energy standards													• Preparation and passage of key standards on energy management and energy audit
Review current implementation status of National Plan for Energy Standards													
Draft first standard on energy audit based on EU norms													
Conduct gap analysis to compare ISO50001 requirements with Ukrainian norms on energy management													
Prepare draft standard on Energy Management and present it for consideration of GOU WG													
<b>Task 1.3 Improving Tariff Setting</b>													
Establish on-going coordination with SIDA/WB technical assistance project													
Assist NCCSMR in obtaining political approval of the GOU for enforcement of a Gradual Tariffs Increase Plan													• Assets evaluation methodology developed as prerequisite for RAB
Assist NCCSMR on quality assurance and quality indicators for communal services													• RAB methodology developed for all sub-sectors
Extend RAB methodology to all communal services regulated by NCCSMR													
Provide assistance on evaluation of assets needed for introduction of RAB methodology													
Organize educational and advocacy campaigns with civil society organizations													
<b>Task 1.4 Improving Social Safety Net Policies</b>													
Assist GOU WGs to incorporate new social protection regs in Annual Plans of the Presidential Prgm of Econ													• Best international practices on subsidies provided that are direct, targeted, means-tested, and/or monetized
Assessment on current status of GOU actions to incorporate MHRP recommendations on social safety nets													
Cooperate with the WB on coordinated strategy for improvement of social protection of low-income customers													• New approach for social protection of low-income consumers agreed with stakeholders
Work with the Ministry of Social Policy in order to get buy-in improvement of social safety nets													
In coordination with WB prepare proposals for changing current system of privileges and improve subsidies													
Provide analytical assessments to determine social norms for consumption (to decrease privileges)													
Engage CSOs to facilitate the consideration and movement of legislation/regulation through the Rada													

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<b>Task 1.5 Regulatory Information System Development</b>		
Establish WG with the NCCSMR on RIMS		<ul style="list-style-type: none"><li>• System functionalities developed and agreed</li><li>• Tender documents prepared for both software and hardware</li></ul>
Review system requirements and functions		
Develop detailed requirements for each module and detailed requirements for hardware		
Assist the NCCSMR in preparing specifications and tender documents for software development		
<b>Task 1.6 Developing Utility Benchmarking</b>		
TA and capacity bldg for NCCSMR/utilities to develop and apply standardized accounting and reporting		<ul style="list-style-type: none"><li>• New regulatory accounting principles taught to utilities</li><li>• Utilities trained to properly implement accounting</li><li>• New regulatory benchmarking system developed</li></ul>
Assist 10 pilot utilities in applying new accounting rules		
Develop a methodology for conducting benchmarking for identification of quality of utility supply services		
Train NCCSMR HQ and nine regional offices to build capacity of utilities for reporting benchmarking indicators		
Assist NCCSMR on monitoring/ data collection from utilities to ensure compliance with new regulation		
<b>Task 1.7 Capacity Building</b>		
Assess training needs and agree on training areas for NCCSMR HQ and nine regional offices		<ul style="list-style-type: none"><li>• Capacity of NCCSMR and regional offices improved</li><li>• Capacity of MinRegion improved</li><li>• Established international contacts with NARUC/ERRA</li></ul>
Conduct seminars for reg offs on key functions; org spt; transparency; consumer protection; assuring		
Assess training needs and agree on training areas for MinRegion and PIUs		
Conduct seminars for MinRegion and PIUs on management of international projects		
Assist MinRegion and Project Implementation Units on international procurement procedures		
Assist NCCSMR to participate as an associate member in international associations of regulators		
<b>Activity 2: Promote Investment In Clean Energy Technologies And Applications</b>		
<b>Task 2.1 Developing Cooperation Strategies</b>		
Conduct assessment and coordinate with IFI programs/investments in municipalities and municipal utilities		<ul style="list-style-type: none"><li>• Selection strategy developed and approved by USAID/IFIs</li><li>• MOUs signed with 6 "quick start" cities to participate in MERP</li></ul>
Evaluate performance of MHRP municipalities with respect to implementation of their MEPs		
Review and agree city selection strategy with IFIs and USAID		
Conduct selection of the "quick start" group of 6 cities and sign MOUs		
<b>Task 2.2 Assisting Municipalities with Planning, Preparing, and Financing for Clean Energy Projects</b>		
Conduct needs assessment and consultations with the Covenant of Mayors and European Commission on		<ul style="list-style-type: none"><li>• Energy audits and CO2 inventories conducted in 6 cities;</li><li>• 6 SEAPs developed;</li><li>• PIUs supported in partner cities</li></ul>
Update SEAP methodology to Ukrainian conditions (based on MHRP MEP MODEL methodology)		
Organize introduction seminar on SEAPs (MODEL) for first group of selected cities		
Assist cities in establishing City Advisory Committees and expert WGs for SEAPs development		
Harmonize "MODEL" methodology; transfer MEIS to cities and provide data from national planning model		
Conduct energy audits to evaluate baselines/est. potential for EE/CE/GHG emissions reduction for key		
Compile database for each city: apt. and public buildings, historical energy use, energy production, transport		
Assist PIUs to support IFIs loans		
Prepare SEAPs and present to key stakeholders		
Support Resource Centers to educate local civil society organizations in CE/EE		

<b>Task 2.3 Introduction of Energy Management Systems</b>		
Introductory training to partner cities on the energy management cycle and ISO 50001 requirements		• Energy management systems training and support provided to 6 partner cities based on ISO 50001 in Year 1
Agree with the city management on development of energy management system; assist in identifying goals		
Assist partner cities in preparing energy management procedures and tools according to ISO 50001		
<b>Task 2.4 Development Credit Authority Loan Guarantee</b>		
Conduct assessments of local banks and IFI programs to identify local partners willing to use DCA		• Bank Lviv is well informed about CE/EE projects and borrowers; • Local banks trained on CE/EE; • Local potential DCA partners identified
Conduct training seminar to Bank Lviv on CE/EE projects to support utilization of DCA		
Conduct training seminar for candidate banks (pre-selected for DCA) on CE/EE projects and utility operations		
<b>Task 2.5 Support Mechanisms that Mobilize Private Sector Investment</b>		
Assist the GOU/Rada in approving a draft law on ESCO/EPC		• ESCO/EPC Legal basis improved by end of Year 1 • PPP Legal basis improved • PPP opportunities identified
Develop ESCO models for cities and propose risk-sharing strategies between public and private partners		
Provide training to the municipalities on PPP tools and support private sector financing in the cities		
Assist cities in identifying CE projects that could attract private sector investments		
<b>Task 2.6 Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials</b>		
Develop Information Strategy for municipalities and targeted National Outreach plan		• Conduct public information campaigns in 6 selected municipalities in Year 1 • Ensure public and civil society support to CE/EE measures
Focus groups find local activists to mobilize civil society support for CE/EE issues, particularly behavior		
Provide PSAs; organize public outreach events for local NGOs, interested associations, and the general		
Hold expert energy briefings for media followed by trainings on the range of story options		
Targeted outreach to low-income residents in support of Ukraine's social safety net		
<b>Activity 3: Capacity Building and Dissemination</b>		
<b>Task 3.1 Preparing a Local Non-Governmental Organization for a Direct Award from USAID</b>		
In consultation with USAID, develop criteria and select local organizations to receive capacity building		• 4 local NGOs are trained and their operations are improved
Conduct Organizational Capacity Assessment (OCA) to provide baseline for performance improvement		
Develop Capacity Building Plan for each selected NGO		
Training on org cap (M&E, HR & fin mgmt, strat plng), tech skills (CE/EE, LEDS, stronger civil society and		
Trainings on internal policies and procedures to meet USAID rules and regulations		
<b>Task 3.2 Facilitating Government-to-Government Assistance: Preparing GOU Institution(s) or Local Government(s) for a Direct Award from USAID</b>		
Coordinate with USAID on feasibility of G2G		• G2G feasibility defined and agreed by USAID • Qualifying GOU agencies and/or cities identified; • OCA and Capacity Building Plans prepared
Based on feasibility assessment prepare procedures for G2G implementation		
Transparent selection of cities and or the GOU Agencies (advertisement/applications/review/selection)		
Short-list of pre-selected cities and/or GOU Agencies to participate in capacity bldg exercise. Organize kick-off		
Conduct OCA to benchmark current status and focus the development of organizational capacity		
Develop Capacity Building Plan based on training needs identified in OCA		



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